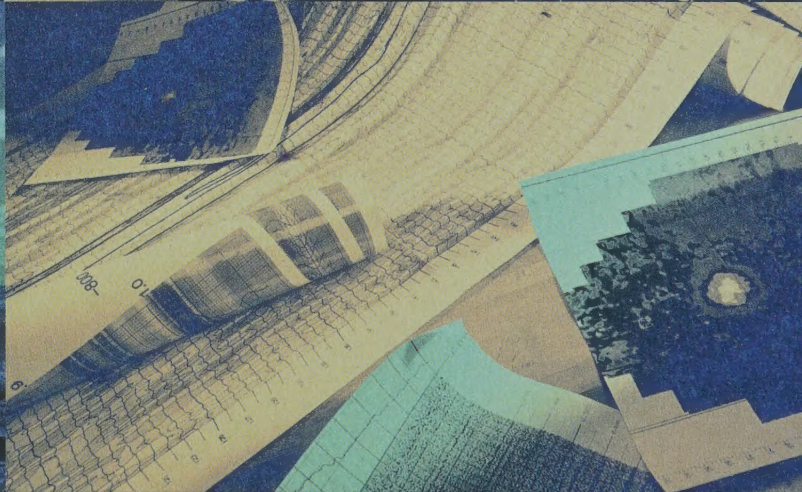
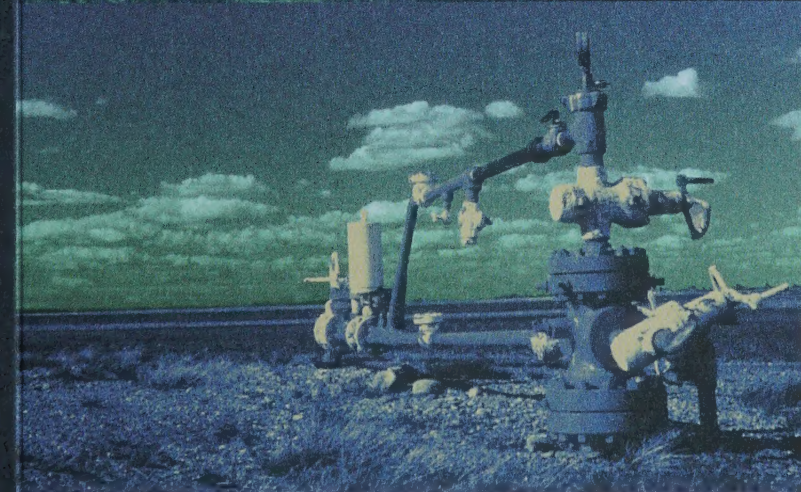


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SUMMIT



Staying the course

Headquartered in Calgary, Alberta, Summit is an established exploration and production company with 30 years of history in the oil and gas industry. Summit seeks to create long-term shareholder value by exploring for, acquiring and developing high quality oil and gas assets in western Canada and the Williston Basin in the United States. The common shares of Summit Resources Limited are listed for trading on the Toronto Stock Exchange under the symbol "SUI".

2001 HIGHLIGHTS	1	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	37
MESSAGE TO SHAREHOLDERS	2	FIVE YEAR REVIEW	44
PROPERTY REVIEW	6	UNIT ANALYSIS	45
MANAGEMENT'S DISCUSSION AND ANALYSIS	12	CORPORATE INFORMATION	46
CONSOLIDATED FINANCIAL STATEMENTS	33		

	2001	2000	% Change
Year Ended December 31			
FINANCIAL			
(\$ thousands, except per share amounts)			
Oil and Natural Gas Revenue	167,478	140,244	19
Cash Flow from Operations	91,355	75,244	21
Per Share			
Basic	2.86	2.30	24
Diluted	2.79	2.26	23
Net Earnings	27,585	29,852	(8)
Per Share			
Basic	0.86	0.91	(5)
Diluted	0.84	0.90	(7)
Long-term Debt, net of working capital	81,020	102,860	(21)
Capital Expenditures (including acquisitions)	67,667	105,759	(36)
Common Shares Outstanding (000s)			
Weighted Average	31,943	32,770	(3)
At December 31	31,913	31,976	—
Stock Options Outstanding	1,998	1,869	7
OPERATIONS			
Oil and NGL			
Production – bbls/d	4,882	4,667	5
Price – \$/bbl	32.81	37.50	(12)
Natural Gas			
Production – MMcf/d	52.6	43.8	20
Price – \$/Mcf	5.68	4.70	21
Barrels of Oil Equivalent *			
Production – BOE/d	13,642	11,962	14

* **Volume Reporting:** Barrel of Oil Equivalent ("BOE") volumes throughout this annual report have been calculated using a conversion factor of 6 Mcf = 1 BOE. Key BOE financial and operating data is also provided using a conversion factor of 10 Mcf = 1 BOE on page 45.

Patience, persistence and

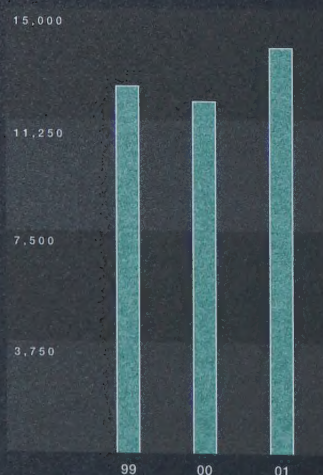
2001 HIGHLIGHTS

Achieved record cash flow of \$91 million

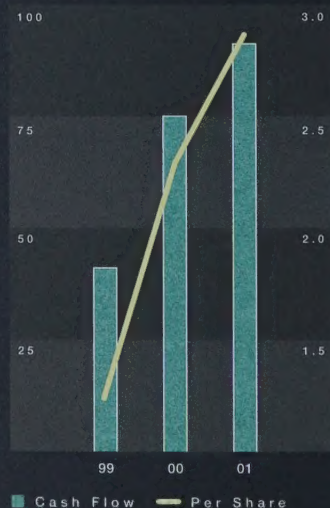
Increased daily production by 14 percent

Reduced net debt by \$20 million

DAILY BOE PRODUCTION
(BOE/d)



CASH FLOW AND
CASH FLOW PER SHARE
(\$MM) (\$/Share)



commitment to our strategies

Acquired strategic land

Expanded drilling program

Commenced new venture exploration

MANAGING THROUGH THE CYCLES

Historically the oil and gas industry has been a cyclical business due to the forces of supply and demand and the related effects on commodity prices and 2001 was no exception. In fact, the year saw a dramatic transition between cycles as supply exceeded demand for both oil and natural gas. Prices dropped quickly and cash flow was eroded throughout the industry. The tragic events of September 11, as well as economic concerns throughout the world and mild weather in many regions, added further volatility to the situation. Recognizing that downturns are inevitable in our industry, we have positioned Summit to respond to the particular challenges and capture the opportunities available during such times.

Strong cash flows, particularly in the first half of 2001, allowed Summit to continue its aggressive exploration and development program during the year. We participated in the drilling of 72 wells, the highest total since 1997. This capital program generated significant production gains as 2001 daily production averaged 13,642 barrels of oil equivalent per day, up 14 percent from 2000. Summit exited the year producing in excess of 14,000 barrels of oil equivalent per day. Production gains were particularly strong for natural gas where daily volumes were increased from an average of 43.8 MMcf/d in 2000 to in excess of 57 MMcf/d exiting 2001. The Company's production base generated record cash flows of \$91 million (\$2.86 per share) in 2001 as well as net earnings in excess of \$27 million (\$0.86 per share).

Capital expenditures including acquisitions exceeded \$67 million during the year, down 36 percent from 2000. Although Summit had a very active drilling program in 2001, the Company did not conclude an acquisition as significant as the Torex Resources Inc. purchase completed in 2000. We chose not to participate in the acquisition market during 2001 as we judged that the prices paid by industry for properties and corporations during the year reflected unsustainable commodity price expectations. In 2001 Summit's capital activity focused on exploration, development and enhancement of facilities in our areas of operation; however a meaningful portion of the Company's capital budget was also directed towards land, seismic and drilling in new exploration areas.

We were particularly successful in boosting production from our Fox Creek property in 2001. Natural gas production from Fox Creek averaged just over 11 MMcf/d for 2000 while 2001's development and facilities work boosted Fox Creek's December gas production over 20 MMcf/d net to Summit.

With 2001 capital expenditures accounting for only three-quarters of the year's cash flow, Summit was able to maintain its financial flexibility despite the rapid decrease in commodity prices, particularly for natural gas. As cash flows declined in the third and fourth quarters, certain projects were deferred until the price environment improves. Year-end net debt of \$81 million was down 21 percent from 2000 and represents less than 1.0 times 2001 cash flow. Summit has significant additional financial capacity with current confirmed credit availability of \$140 million.

NEW VENTURES

Over the past three years Summit has focused on building a strong technical team. This team has now familiarized itself with the Company's asset base, and generated a number of play concepts. Many of these contributed to the Company's 2001 capital program.

While oil and gas commodity prices have declined significantly from their levels in early 2001, costs for oilfield services and sellers' expectations for property and corporate dispositions remain high. At Summit, we view this period of constrained cash flows as an opportune time to generate prospects for diversification and growth within our asset base. To help accomplish this, we have established a New Ventures Exploration Team charged with establishing new exploration areas for Summit. This team is staffed on a dedicated basis with a number of highly experienced technical professionals. Their objective is to identify at least one significant new producing property for the Company from internally generated prospects.

The New Ventures Team is focusing on Summit's existing west central Alberta area of operation due to the preferred geological and geographical characteristics of that region. To date a number of prospects have progressed through the evaluation phase to drilling.

OUTLOOK

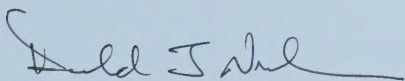
As with all oil and gas cycles, the current downturn in commodity prices will end. Negative supply responses from decreased industry capital spending in the second half of 2001 are already apparent. Of less certainty is the timing of demand-side recovery. This will be largely dependent on worldwide economic factors and a return to more normal weather.

Given the inherent uncertainty in our industry, Summit has established a preliminary capital expenditure budget for 2002 of \$32 million. At current cost levels, we anticipate that this level of spending will hold production relatively flat through 2002. Capital spending could be adjusted upward should market conditions improve.

The dramatic and continued consolidation of companies in the Canadian oil and gas industry suggests that a significant rationalization of properties is imminent as recently configured companies divest non-core assets. Summit has maintained the financial capacity to capitalize on the right opportunity.

2001 marks Summit's 30th year as an active oil and gas company. Such longevity has become very unusual in the Canadian oil patch and we take pride in positioning the Company for profitable long-term success.

I would like to thank all of the Management and staff of Summit for their continued efforts in making Summit a solid and successful company. The continued counsel and support of our Board of Directors is also appreciated. I look forward to reporting on the Company's efforts and accomplishments in 2002.



Donald J. Nelson

President

March 7, 2002



Property Review

With the establishment of its New Ventures Exploration Team in 2001, Summit's areas of operation were streamlined into two principal districts, Northern and Southern.

2001 Production

Oil (bbls/d)	—
Natural Gas (MMcf/d)	0.4
Total (BOE/d)	67

Reserves (proved plus probable)

Oil (Mbbls)	65
Natural Gas (Bcf)	3.3
Total (MBOE)	621

Land (net acres)

Developed	1,600
Undeveloped	75,720
Total	77,320



New Ventures

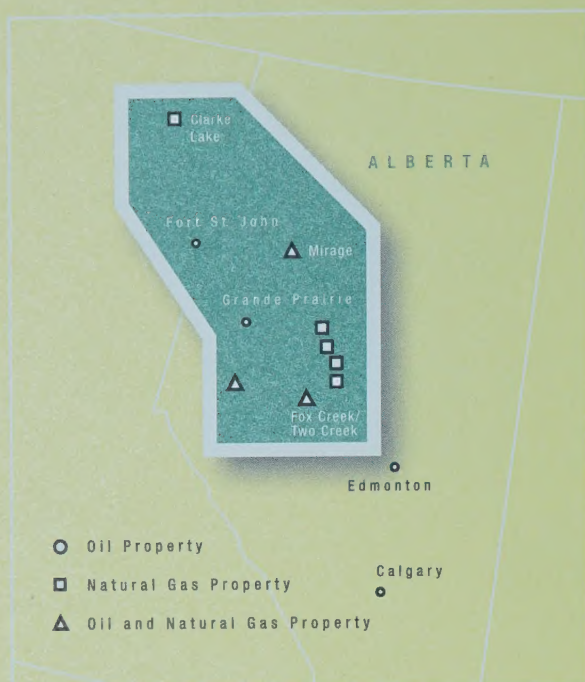
Summit has established a New Ventures Exploration Team staffed on a dedicated basis with five highly experienced technical professionals, comprised of four senior geologists and one senior engineer charged with developing new exploration areas for Summit. The objective of this group is to identify at least one significant new producing property for the Company from internally generated prospects. The New Ventures Team is principally focusing its efforts within the bounds of the Company's existing west central Alberta area of operation.

Summit invested \$10 million in New Ventures activities in 2001. A total of \$2.1 million was directed towards the acquisition of 25,000 net acres of land in new areas. This acreage included eight identified drilling locations in four separate areas. Summit drilled a total of 13 wells in New Ventures areas in 2001 resulting in four gas wells. Further evaluation of these wells and drilling of offset locations will be required to determine the significance of these discoveries.

New Ventures activity also included continued evaluation of the acreage acquired through the Torex acquisition in the Prairie River area. To date, drilling results testing a number of play concepts have been inconclusive, yielding two gas wells, one of which is producing to a third-party facility to the north.

Through exploration drilling, Summit has validated much of the acreage, giving the Company all petroleum and natural gas rights.

Summit has allocated one-half of its 2002 preliminary capital budget or \$15 million to New Ventures activity. Budgeted activity includes continued acreage acquisition, seismic and the drilling of 12 wells.



2001 Production

Oil (bbls/d)	1,572
Natural Gas (MMcf/d)	42.8
Total (BOE/d)	8,708

Reserves (proved plus probable)

Oil (Mbbbls)	4,394
Natural Gas (Bcf)	123.3
Total (MBOE)	24,943

Land (net acres)

Developed	72,665
Undeveloped	148,403
Total	221,068

Northern District

Summit's principal properties in the Northern District include Fox Creek, Two Creek and Mirage in west central Alberta and the non-operated Clarke Lake gas property in northeast British Columbia. Most of the plays in the Alberta portion of this district offer multi-zone gas-prone drilling targets including the Viking, Notikewin, Bluesky, Gething and Halfway formations. This region is a preferred geological and geographical area of operation for Summit as the multiplicity of zones not only reduces drilling risks but also greatly improves the economic potential of projects. Much of the region also affords all-season access for drilling operations. The Two Creek gas plant as well as the two gas plants in Fox Creek are all connected to the Alliance Pipeline on which Summit is a shipper. The Company also holds and continues to grow a significant seismic database of some 14,775 km of 2-D seismic and 639 km² of 3-D seismic, over half of which is located in the Northern District. While Clarke Lake represents Summit's only remaining asset in British Columbia, the property provides a significant volume of natural gas production with relatively low operating costs.

During 2001, Summit invested over \$30 million in land, seismic, drilling and facilities in the Northern District. These activities included:

- 21,640 net acres of undeveloped lands were acquired in the Northern District;
- Acreage acquisitions included 5 drilling opportunities in established Northern District areas;
- Drilling of 11 wells and recompletion of 7 wells in the ongoing development of the Fox Creek property. This drilling achieved a 100 percent success rate targeting principally the Viking, Bluesky and Gething formations and added more than 8 MMcf/d of incremental gas production;
- Two additional gas wells were drilled at each of the Two Creek and Mirage properties during 2001;
- Fabrication and installation of a new compressor at the Fox Creek battery site;
- Installation of a new compressor at the Two Creek gas plant and;
- A new gathering system to allow for the production of gas from the southern portion of the Mirage property.

Development of the Fox Creek property will continue in 2002 with an additional seven drilling locations identified to date. In addition, construction of a Summit-operated field compression station in the southeast portion of the Mirage field will allow Summit to optimize gas production and reserves through the gas gathering line installed in 2001.

2001 Production

Oil (bbls/d)	3,310
Natural Gas (MMcf/d)	9.3
Total (BOE/d)	4,867

Reserves (proved plus probable)

Oil (Mbbbls)	9,783
Natural Gas (Bcf)	23.7
Total (MBOE)	13,728

Land (net acres)

Developed	71,616
Undeveloped	152,386
Total	224,002



Southern District

Summit produces approximately 5,000 BOE/d of oil and natural gas in southern Alberta, southeastern Saskatchewan and the Montana and North Dakota portions of the Williston Basin. This base of stable production is especially attractive as it has low operating costs, all-season access and a well-developed infrastructure. Summit's United States operations continue to be confined to the states of Montana and North Dakota as these areas can be effectively managed, both operationally and technically, in combination with our Canadian properties.

During 2001, Summit invested over \$23 million in land, seismic, drilling and facilities in the Southern District. These activities included:

- 9,400 net acres of undeveloped land were acquired in established areas at an average cost of \$64 per acre;
- Four successful gas wells were drilled at Sylvan Lake, Alberta in the Pekisko and Ellerslie formations;
- At Retlaw, Alberta, two successful gas wells targeting the Glauconite formation were drilled following a geological and geophysical reinterpretation of the property;
- 13 lower interest shallow gas wells targeting the Eagle formation were drilled near the Company's Rabbit Hills, Montana oil field;
- The Knutson, North Dakota oil battery facilities were centralized and;
- A 3-D seismic program was undertaken in Rabbit Hills, Montana to expand the oil producing area of the property.

Seven wells are planned in the Southern District in 2002 including three each at Chain, Alberta and Rabbit Hills, Montana. In addition, with the unitization of the Knutson, North Dakota field now complete, continued centralization of facilities in that field will be undertaken to reduce operating costs and optimize the waterflood project. Similarly, the main Rabbit Hills pool will be unitized to optimize oil recovery with the implementation of a waterflood project.

T63

T61

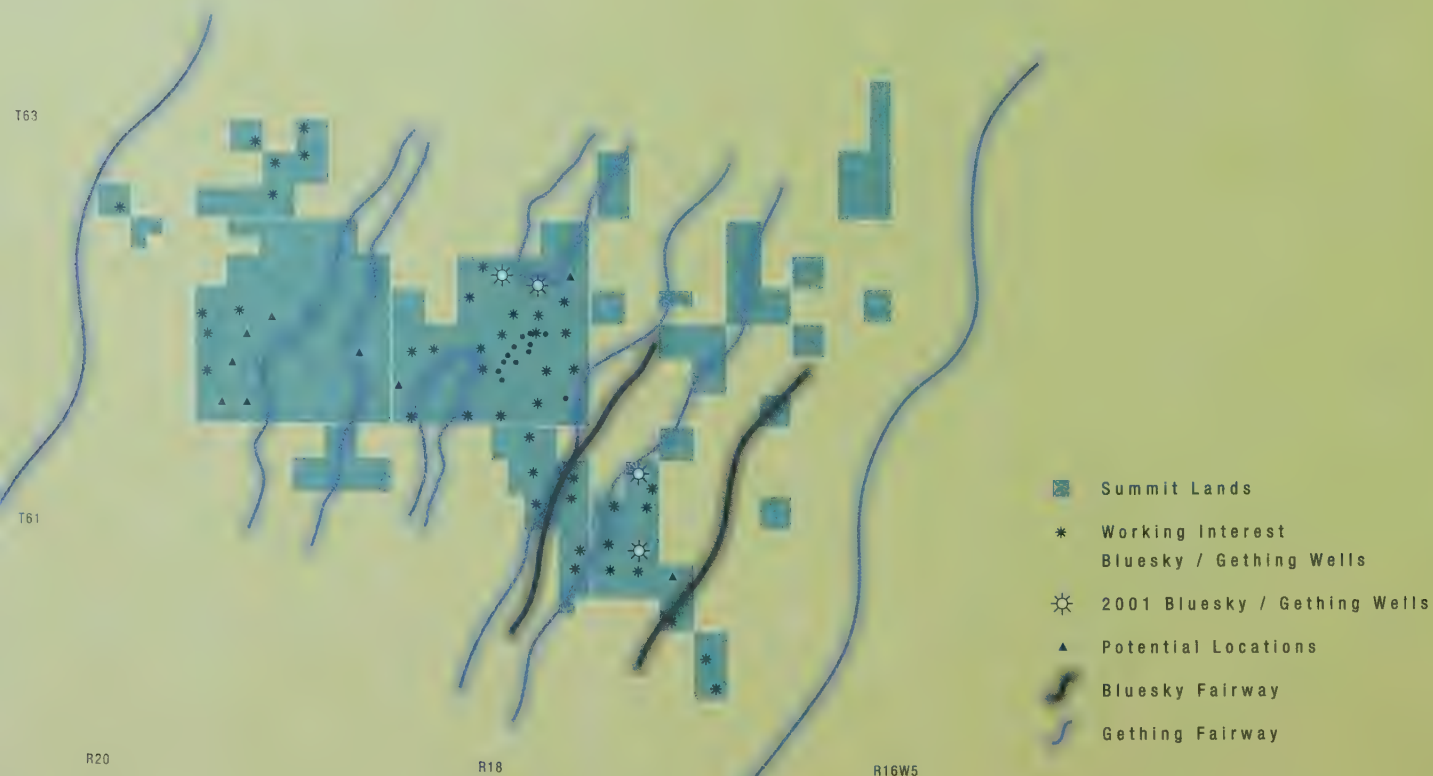


Summit's Fox Creek property in west central Alberta is an excellent example of the Company's managed approach to growth and optimization of value.

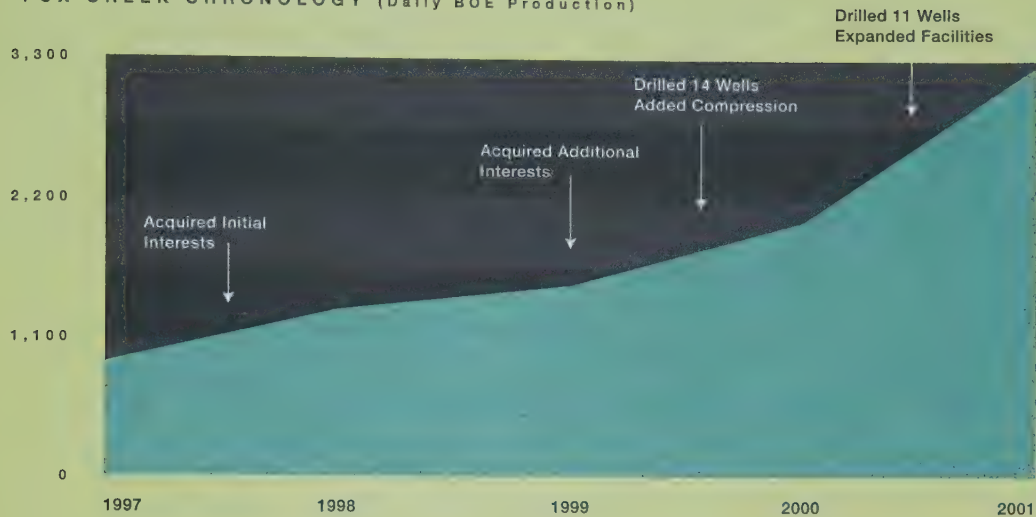
Fox Creek

T63

T61



FOX CREEK CHRONOLOGY (Daily BOE Production)



A Study in Value Maximization

In 1997 Summit acquired its initial interests in the Fox Creek property for \$32 million, comprising nine million cubic feet per day of gas production and 170 barrels per day of oil and NGL production, principally from the Viking and Gething formations. Significant potential reserve additions in other producing horizons had been identified at that time. In 2001, the property averaged 18 million cubic feet of gas per day and 230 barrels per day of oil and NGL through the optimization of the existing Viking and Gething reserve base plus the addition of new producing horizons. From the acquisition of the Fox Creek property in September 1997 through 2001, Summit has derived \$53 million of cash flow. The proved plus probable reserves in the field were valued at \$60 million discounted at 10 percent before tax at December 31, 2001.

Fox Creek is an asset that fits ideally with Summit's operating philosophy. The property provides a solid base of production, largely all-season access, multiple producing formations, development drilling locations with reasonable drilling costs, facility optimization opportunities, and contributes significantly to the Company's transportation commitment on the Alliance Pipeline.

Over the past five years Summit has applied constant exploration and development focus to this property and this has resulted in substantial cash flow generated as well as value creation. This approach has included:

- Acquisition of additional complementary interests in wells, lands and facilities as well as available Crown acreage;
- Becoming the operator of the property;
- Continuous geological and geophysical reinterpretation of the complex geology of the field, which has extended a number of known reservoirs and led to the discovery of numerous new pools;
- Expansion and optimization of facilities has not only increased production but has maintained operating costs at a very reasonable level around \$0.25 per Mcf.

Summit has drilled or participated in over 30 wells at Fox Creek over the past five years with at least one Summit operated rig continuously drilling in the field for the last three years. As mapping, interpretation and facility optimization of the field continues, seven additional wells are planned for 2002 and this development work will continue indefinitely into the future.

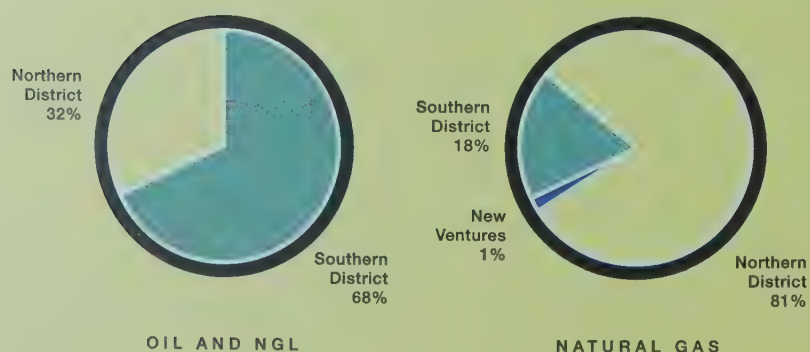
The following discussion of financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and Notes thereto. It offers Management's analysis of Summit's historical financial and operating results and provides estimates of Summit's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant.

OVERVIEW

Highlights of Summit's performance in 2001 include:

- Production increased 14 percent to 13,642 barrels of oil equivalent per day in 2001 and Summit exited the year producing in excess of 14,000 barrels of oil equivalent per day.
- Cash flow from operations increased 21 percent from 2000 to a record \$91 million in 2001 (\$2.86 per share).
- Summit participated in the drilling of 72 wells (44.7 net) during 2001 and achieved a 72 percent net success rate.
- Summit acquired 56,000 net acres of land including 15 drill-ready opportunities.
- Financial flexibility was strengthened as cash flow exceeded capital expenditures by 35 percent and year-end net debt was 0.9 times 2001 cash flow.

GEOGRAPHIC PRODUCTION DISTRIBUTION



OPERATIONS

Operations Highlights

	2001	2000	1999
Production			
Oil and NGL (bbls/d)	4,882	4,667	4,589
Natural Gas (MMcf/d)	52.6	43.8	46.6
Total (BOE*/d)	13,642	11,962	12,351
Reserves (proved plus probable)			
Oil and NGL (Mbbbls)	14,242	16,211	14,484
Natural Gas (Bcf)	150.3	147.3	118.0
Total (MBOE)	39,295	40,753	34,149
Capital Expenditures (net of dispositions)	67,667	105,759	11,301
Undeveloped Land (thousands of net acres)	377	384	338

* BOE (6 Mcf = 1 BOE) see page 45 for 10:1 BOE data.

PRODUCTION

Summit's oil and natural gas production averaged 13,642 barrels of oil equivalent per day in 2001, a 14 percent increase from 11,962 barrels of oil equivalent per day in 2000. This increase reflects the results of the Company's very active exploration and development program over the past two years. Summit exited 2001 producing in excess of 14,000 BOE/d comprised of 4,800 bbls/d of liquids and 57 MMcf/d of natural gas.

Oil and liquids production increased 5 percent to 4,882 bbls/d in 2001 from 4,667 bbls/d for 2000. While over two-thirds of the successful wells drilled in 2001 were natural gas wells, selective oil drilling and production optimization operations were successful in offsetting the natural decline in the Company's liquids production base.

Summit's average natural gas production increased 20 percent to 52.6 MMcf/d in 2001 from 43.8 MMcf/d for 2000. Continued drilling success at Fox Creek in west central Alberta as well as at Retlaw and Sylvan Lake in southern Alberta and a new shallow gas play in Montana all contributed to the gas production increases. Summit exited 2001 producing in excess of 57 MMcf/d of natural gas.

For 2002, Summit expects daily production to average in the range of 12,000 – 14,000 BOE/d as exploration and development expenditures will be limited to available cash flow until commodity prices improve. This level of capital activity should generate incremental production sufficient to offset natural declines.

CAPITAL EXPENDITURES

(\$ thousands)	2001	2000	1999
Exploration and Development Expenditures			
Lease Acquisitions	5,566	3,935	1,584
Seismic	5,670	4,117	2,479
Drilling, Completions and Workovers	37,185	21,611	9,453
Production Facilities	16,902	15,548	4,156
Total Exploration and Development	65,323	45,211	17,672
Acquisitions (net of dispositions)	(57)	51,604	(6,405)
Total Oil and Gas	65,266	96,815	11,267
Corporate Assets	2,401	8,944	34
Total	67,667	105,759	11,301

Summit's 2001 exploration and development expenditures of \$65 million reflect the Company's active drilling program for the year and exceeded 2000 exploration and development expenditures by 44 percent. Drilling, completion and workover costs totaled \$37 million reflecting participation in 45 net wells during the year. This cost equates to \$831,000 per net well drilled; very consistent with \$828,000 per net well in 2000. Facilities costs of \$16.9 million included, in addition to numerous well tie-ins:

- fabrication and installation of a new compressor at the Fox Creek battery site;
- a new gathering system to allow for the production of gas from the southern portion of the Mirage property;
- centralization of the Knutson, North Dakota battery facilities and;
- installation of a new compressor at the Two Creek gas plant.

Total oil and gas capital expenditures were \$65.3 million in 2001 compared to \$96.8 million in 2000. The 2000 total included the acquisition of Torex Resources Inc. for \$46 million effective September 1, 2000 as well as a number of property acquisitions. Summit did not consummate any corporate or significant producing property acquisitions in 2001 as the market for such transactions saw prices being paid for assets and companies which exceeded what Summit viewed as sustainable long-term economics. The Company continues to evaluate available oil and gas properties and corporations.

In early 2002 Summit moved its operations into the five-story office building that it purchased in late 2000. Approximately \$2.4 million was spent in 2001 upgrading the premises prior to the move. This property provides top-quality work space for Summit's staff, allows room for expansion of the Company and shields Summit from escalating rental rates.

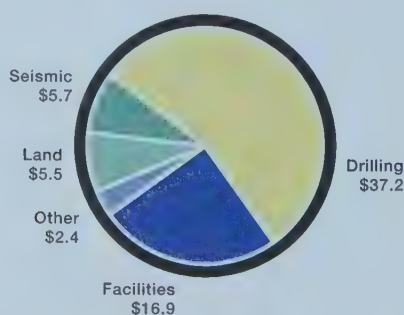
UNDEVELOPED LAND

(net acres)	2001	2000	1999
Canada	311,704	275,875	135,278
United States	64,805	107,676	202,697
Total	376,509	383,551	337,975

Summit acquired 56,000 net acres of land in 2001 at an average cost of \$87 per acre for total expenditures of \$4.9 million. The Company holds an average 95 percent working interest in these lands. 2001 was a volatile year for land acquisition costs in western Canada. While the average cost per acre paid by industry in Alberta was very similar to 2000 at \$109 per acre compared to \$110 per acre the prior year, quarterly averages ranged from \$166 per acre in the second quarter to \$64 in the fourth quarter. Given this volatility, Summit weighted its acreage acquisitions toward the second half of the year acquiring 36,400 net acres during that period at an average cost of \$65 per acre.

Summit focused on acquiring parcels with identified drilling opportunities. This strategy resulted in the Company acquiring 15 drilling opportunities and these parcels were concentrated in areas of multi-zone prospects. The acquired acreage also aided Summit in establishing new exploration areas, as eight of the drilling opportunities were in four New Ventures areas. In efforts to optimize the use of land dollars, five of the drill-ready parcels were also used in the pre-evaluation of subsequent land sales.

2001 CAPITAL EXPENDITURES
(\$ Millions)



Summit also continues to pursue an active farmout program in areas viewed as non-core or not strategic to the Company. In 2001, 14 farmout wells were drilled by third parties on Summit properties at a gross cost of \$11 million. This allowed for the evaluation of 14,000 net acres at no cost to Summit. Summit's acreage profile continues to shift to Canada from the United States. From 1999 to 2001 the percentage of the Company's undeveloped acreage located in Canada has increased from 40 percent to 83 percent representing 311,700 of 376,500 net acres.

DRILLING

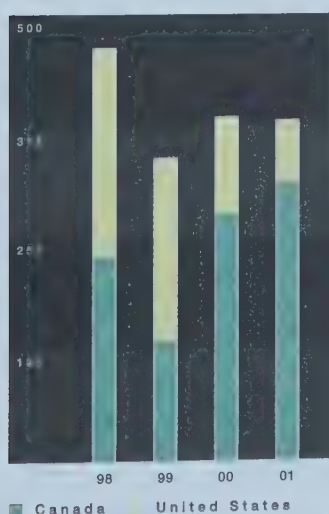
	Exploratory		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
Wells drilled – 2001						
Oil	5	4.0	8	6.3	13	10.3
Natural Gas	19	6.4	22	15.5	41	21.9
Dry	12	8.4	6	4.1	18	12.5
Total	36	18.8	36	25.9	72	44.7
Success Rate – net	55%		84%		72%	

The Company participated in the drilling of 72 wells in 2001, up from 45 in 2000 and the highest total since 1997. The 2001 wells were split evenly between exploration wells and development prospects. The establishment of a New Ventures Exploration Team in 2001 led to the drilling of a large number of exploration wells. Summit achieved a 72 percent overall net success rate in 2001. Despite increasing industry costs, the cost per net well was the same as 2000 at just over \$800,000.

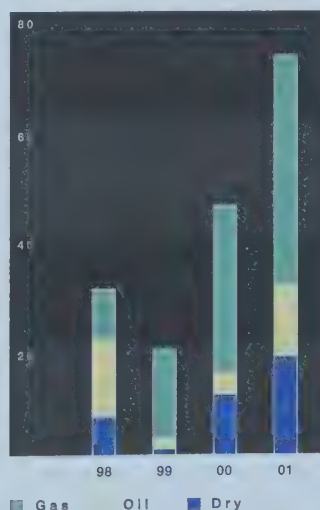
Summit drilled 32 wells in its Northern District in 2001 including 11 at Fox Creek targeting mainly the Viking, Bluesky and Gething formations, and 13 wells in New Ventures exploration areas. The Fox Creek drilling achieved 100 percent success and added more than 8 MMcf/d of incremental gas production. In the Southern District 39 wells were drilled, including 13 shallow gas wells targeting the Eagle formation near the Company's Rabbit Hills, Montana oil field. Four successful wells were also drilled at Sylvan Lake in the Pekisko and Ellerslie formations. At Retlaw two successful gas wells targeting the upper Mannville and Glauconite formations were drilled following a geological and geophysical reinterpretation of the property.

With a more selective capital program planned for 2002 the Company expects to drill 30 wells. This total may be adjusted upward should commodity prices improve.

UNDEVELOPED LAND
(000's of net acres)



DRILLING ACTIVITY
(gross wells)



RESERVES

Summit's proved plus probable reserves totaled 39.3 million barrels of oil equivalent at December 31, 2001. Seventy-six percent of the Company's proved plus probable reserves are classified as proved and 85 percent of these proved reserves are proved producing.

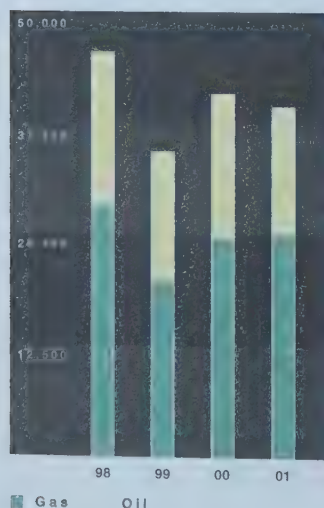
Summit's reserves are evaluated by Sproule Associates Limited ("Sproule") in its reports as at December 31, 2001. Sproule has been engaged since 1998 to conduct an independent review of 100 percent of Summit's oil and natural gas reserves in both Canada and the United States. The evaluators are qualified and experienced professional engineers and geologists and are independent of Summit. Personal field inspections of the Summit properties were not made by Sproule as such inspections are not considered necessary in view of the information available from the files of the Company and the appropriate provincial regulatory authorities.

Sproule relies on data generally available through public sources supplemented with data provided by Summit, including, but not limited to the following: land interest descriptions, pertinent well data (such as well logs, drill stem tests, workover details, pressure surveys and productions tests), geological mapping, accounting property statements, marketing arrangements and operating and capital budget information. Sproule has no responsibility to update their report for events or circumstances occurring subsequent to the date of their reports.

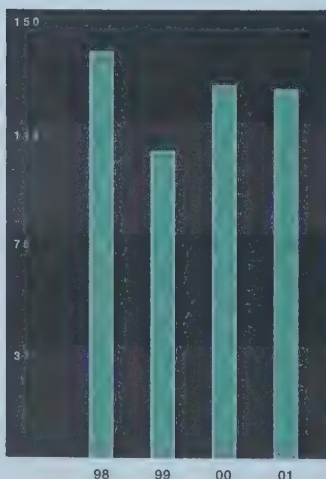
Sproule also meets annually with the Reserves Committee of the Board of Directors to discuss their approach to reserve evaluation, findings and whether any restrictions placed by Management affected their ability to complete their evaluation.

The Company's focus on internally generated exploration prospects in 2001 led to the allocation of significant resources toward land, geophysical and drilling costs that did not have an immediate effect on Summit's reserve base. Significant investment was also made to upgrade the Company's production facilities during the year. Summit's 2001 net reserve additions of 3.9 million barrels represent replacement of 78 percent of 2001 production volumes. Summit's total reserve volumes and particularly those for certain heavier grades of crude oil, were also impacted by the decline in commodity prices at year end 2001. If lower prices were to persist, such volumes would be uneconomic to produce and therefore have been removed from the total reserves. This situation resulted in a downward revision of the Company's total oil reserves of 1.1 million barrels. As oil prices improve, these volumes will be returned to Summit's reserve totals.

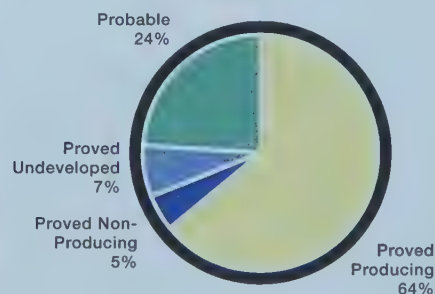
TOTAL RESERVES
(MBOE)



**RESERVES PER
100,000 SHARES**
(MBOE)



CONSOLIDATED RESERVES



REPORT ON RESERVES DATA

Independent evaluators have evaluated Summit Resources Limited's Reserves Data. The report of Sproule Associates Limited is presented below. The Reserves Committee of the Board of Directors has (a) reviewed the Company's procedures for providing information to the evaluator, (b) met with the independent evaluator to determine whether any restrictions placed by Management affect the ability of the independent evaluator to report without reservation, and (c) reviewed the Reserves Data with Management and the independent evaluator.

The Reserves Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas producing activities and has reviewed that information with Management. The Board of Directors has approved the Reserves Data.



Donald J. Nelson, P. Eng.

President

February 27, 2002



Curtis W. Labelle, P. Eng.

Reserves Officer

TO THE SHAREHOLDERS OF SUMMIT RESOURCES LIMITED

This letter is to confirm that Sproule Associates Limited was retained as an independent consultant to evaluate the consolidated petroleum and natural gas reserves of Summit Resources Limited. Sproule Associates Limited have prepared reports dated February 27, 2002, entitled "Evaluation of the Petroleum and Natural Gas Reserves of the Canadian Properties of Summit Resources Limited, as of December 31, 2001" and "Evaluation of the Petroleum and Natural Gas Reserves of the U.S. Properties of Summit Resources, Inc. as of December 31, 2001", which present the results of this evaluation. These reports have been prepared in accordance with the Code of Ethics of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Examinations were made in accordance with generally accepted engineering standards and included such tests and other procedures as were considered necessary. The accuracy of reserves estimated and associated economic analysis is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. The estimates presented were considered reasonable at the time the reports were prepared. However, they should be accepted with the understanding that reservoir performance subsequent to the date of the estimates may necessitate revision. In our opinion, our reports present fairly, in all material respects, the reserves and resulting cash flows and net present value of Summit Resources Limited's consolidated reserves, as at December 31, 2001.



Sproule Associates Limited

Calgary, Canada

February 27, 2002

Reconciliation of Changes in Reserves

	Oil and NGL (Mbbls)			Natural Gas (MMcf)		
	Proved	Probable	Total	Proved	Probable	Total
Balance, December 31, 2000	11,987	4,224	16,211	123,405	23,846	147,251
Discoveries and Extensions	667	238	905	12,091	5,702	17,793
Acquisitions	38	20	58	279	—	279
Dispositions	(46)	(26)	(72)	(5)	—	(5)
Revisions	(377)	(701)	(1,078)	(992)	5,155	4,163
Production	(1,782)	—	(1,782)	(19,183)	—	(19,183)
Balance, December 31, 2001	10,487	3,755	14,242	115,595	34,703	150,298

Reserve Life Index

(years)	Proved	Proved Plus Probable	
Oil and NGL	5.9	8.0	Based on 2001 production of 4,882 bbls/d
Natural Gas	6.0	7.8	Based on 2001 production of 52.6 MMcf/d
BOE *	6.0	7.9	Based on 2001 production of 13,642 BOE/d

* (6 Mcf = 1 BOE)

Present Value of Reserves

(\$ thousands)	Discount Rate		
	0%	10%	15%
Proved Producing	333,592	217,431	187,463
Proved Non-producing	27,538	17,382	14,585
Proved Undeveloped	41,861	25,657	21,234
Total Proved	402,991	260,470	223,282
Probable (unrisked)	138,168	62,311	47,439
Total Proved plus Probable	541,159	322,781	270,721

NET ASSET VALUE

Despite a significant decrease in commodity price expectations, particularly for natural gas, Summit's pre-tax net asset value discounted at 10 percent exceeded \$8.00 per share at December 31, 2001.

Net Asset Value

Discount Rate	15 %		10 %	
(\$ thousands except as noted)	2001	2000	2001	2000
Established Reserves *	247,002	370,570	291,626	419,986
Land and Seismic	45,364	45,534	45,364	45,534
Corporate Assets	11,500	8,500	11,500	8,500
Long-term Debt, net	(81,020)	(102,860)	(81,020)	(102,860)
Net Asset Value	222,846	321,744	267,470	371,160
Net Asset Value per Share (\$/share)	6.98	10.06	8.38	11.61

* Probable reserves risked at 50 percent

RESERVES PRICE FORECAST

(Sproule Associates Limited)

	Oil (WTI \$US/bbl)	Natural Gas (AECO-C \$/Mcf)
2002	\$ 20.53	\$ 3.29
2003	21.03	4.07
2004	21.12	4.35
2005	21.44	4.44
2006	21.76	4.52
Escalate thereafter	1.5%	1.5%

MARKETING

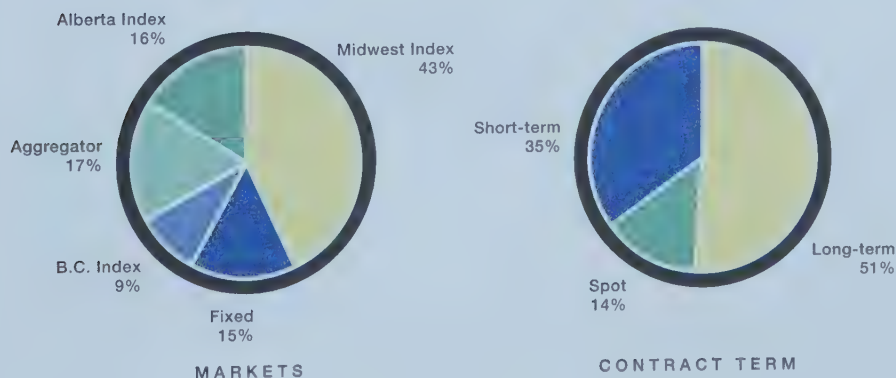
Natural Gas

The Canadian oil and gas industry experienced a particularly volatile year for natural gas prices in 2001. Natural gas prices averaged their highest levels since the deregulation of Canadian gas markets in 1985; New York Mercantile Exchange ("NYMEX") gas prices averaged \$US 4.38 per MMBtu up 12 percent from 2000. However, as natural gas supply responded to increased North American drilling activity, gas demand was being eroded by a global economic slowdown, fuel-switching and extremely mild temperatures in the latter months of the year. The combination of these factors led to a dramatic fall in prices as NYMEX ranged from a high of \$US 9.85 per MMBtu in January to a low of \$US 1.89 per MMBtu in October.

Despite this volatility, Summit realized the highest annual average gas price in the Company's history at \$5.68 per Mcf, up 21 percent from \$4.70 in 2000. Summit continues to sell the majority of its gas under market-based contracts, with no financial hedges in place, allowing the Company to participate fully in market conditions. Effective December 2000, Summit commenced shipping 18 MMcf/d into the United States Midwest on Alliance Pipeline. As a result, Summit sells over 40 percent of its production into the U.S. Midwest market.

While natural gas price expectations are lower than they were a year ago, Summit continues to believe that the supply and demand fundamentals of natural gas markets are very positive. Significant gas drilling activity in the last two years has not added the expected sustained production gains, declines on existing production are steep and supply is already beginning to reflect the effects of slowing drilling activity. Recovery on the demand-side, driven by economic factors, could challenge the supply-demand balance and pressure prices upward. Summit is well positioned to take advantage of these circumstances, as the Company has not hedged forward prices on any of its natural gas production.

NATURAL GAS MARKETING



Oil and Liquids

Crude oil prices did not drop as dramatically as natural gas prices during 2001; however December NYMEX West Texas Intermediate ("WTI") oil prices were 34 percent lower than those in January. The 2001 annual average of \$US 25.96 per barrel was 14 percent lower than the average of \$US 30.26 for 2000.

Further weakness in the Canadian dollar increased Canadian oil prices and consequently, Summit's realized price for its oil decreased by only 12 percent to \$32.81 per barrel in 2001. Heavy oil differentials widened considerably in 2001 and as a result Summit's prices for its small volume of heavier crude were negatively affected. As with natural gas, the Company does not have any financial hedges in place for any of its oil production.

World political factors complicate the supply and demand effect on oil prices and the current instability in many oil producing regions contributes much uncertainty to the short-term outlook for oil prices. While Summit remains committed to the belief that the long-term fundamentals for a rapidly depleting resource such as oil are positive, we continue to maintain a portfolio of properties relatively balanced between oil and gas to protect against cyclical downturns in either commodity.

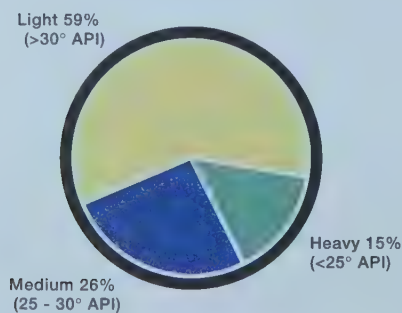
POWER

2001 marked the onset of the deregulated electricity market in Alberta. Alberta accounts for over 60 percent of Summit's power costs. For consumers of power like Summit, there was a change from a stable, cost-regulated environment to a highly volatile commodity market. Summit entered into a retail arrangement in 2001 that significantly reduced its billing and administrative costs relative to those offered by the incumbents.

Power Pool of Alberta prices fell throughout 2001, from a high in January of \$131.23 per MWh to a low in November of \$33.31 per MWh, averaging \$71.28 per MWh for the year. The decline in prices was due to falling natural gas prices as well as new supply additions and improved performance from existing generation. Higher prices for Alberta electricity in 2001 contributed to increased operating costs for Summit.

At this time Summit has not chosen to hedge any of its power costs for the upcoming year, but is monitoring market pricing and may do so in the future.

2001 CRUDE OIL QUALITY



FINANCIAL RESULTS

FINANCIAL HIGHLIGHTS

(\$ thousands except where noted)

	2001	2000	1999
Oil and Natural Gas Revenue	167,478	140,244	85,557
Cash Flow from Operations	91,355	75,244	41,319
Per Share – basic (\$/share)	2.86	2.30	1.24
Net Earnings	27,585	29,852	5,825
Per Share – basic (\$/share)	0.86	0.91	0.17
Long-term Debt	68,981	94,076	64,647
Shareholders' Equity	157,651	131,330	110,443

OIL AND NATURAL GAS PRODUCTION

	2001	2000	1999
Oil and NGL (bbls/day)	4,882	4,667	4,589
Natural Gas (Mcf/day)	52,557	43,770	46,568
Total (BOE*/day)	13,642	11,962	12,351

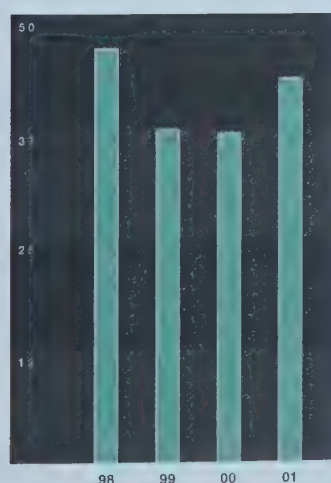
* BOE (6 Mcf = 1 BOE) see page 45 for 10:1 BOE data.

Oil and NGL Production by Segment

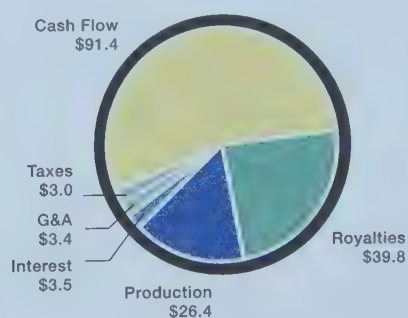
(bbls/day)	2001	2000	1999
Canada	3,474	3,124	2,956
United States	1,408	1,543	1,633
Total	4,882	4,667	4,589

Summit has experienced continued production growth in its Canadian properties as the Company's exploration and development expenditures have been focused in Canada. The United States production reflects natural decline and lower levels of exploration and development activity. Dispositions of some minor properties during the year in the United States also impacted average production levels. The Company's emphasis on directing capital expenditures toward its gas prone properties has resulted in more growth in gas production than for oil.

PRODUCTION PER
100,000 SHARES
(BOE/d)



2001 REVENUE DISTRIBUTION
(\$ Millions)



Natural Gas Production by Segment

(Mcf/day)	2001	2000	1999
Canada	51,239	43,405	46,199
United States	1,318	365	369
Total	52,557	43,770	46,568

The Company's emphasis in the past three years on the development of natural gas reserves is reflected in the growth of natural gas production in 2001. The impact of the disposition of the Company's British Columbia properties in late 1999 was reflected in the downturn in average production levels in 2000 as the Company concentrated its exploration and development activities in its multi-zone gas prone properties in west central Alberta. The results of this activity are reflected in the increase in average production levels in 2001 and particularly in the exit rates at December 2001 of 57 MMcf/day.

OIL AND NATURAL GAS REVENUE

Oil and natural gas revenue in 2001 was \$167.5 million, representing a 19 percent increase from \$140.2 million in 2000. Revenue growth was achieved through higher commodity prices in the first half of the year, especially for natural gas, coupled with increased production in the latter part of the year. Revenues for the fourth quarter were \$27.8 million, a decrease of 41 percent from fourth quarter 2000 revenues of \$ 47.1 million. The decrease in revenues in the fourth quarter are as a result of a rapid and significant decline in commodity prices as the impacts of a slowing North American economy and mild winter weather were felt throughout the industry.

Revenue Distribution

(\$ thousands)	2001	2000	1999
Total Revenues	167,478	140,244	85,557
Utilized by:			
Royalties	39,814	30,332	14,442
Production Costs	26,409	17,666	19,321
General and Administrative	3,418	3,873	3,537
Interest Expense	3,456	4,538	5,149
Capital and Production Taxes	3,026	3,191	1,789
Current Income Taxes	—	5,400	—
Cash Flow	91,355	75,244	41,319

Oil and Natural Gas Revenue

(\$ thousands except where noted)	2001	2000	1999
Oil and NGL	58,466	64,450	39,515
Natural Gas	109,012	75,794	46,042
Total	167,478	140,244	85,557
Oil/Gas Ratio (%)	35/65	46/54	46/54

Prices

	2001	2000	1999
Oil and NGL (\$/bbl)	32.81	37.50	23.25
Natural Gas (\$/Mcf)	5.68	4.70	2.71
Total (\$/BOE*)	33.63	32.03	18.98

* BOE (6 Mcf = 1 BOE) see page 45 for 10:1 BOE data.

OIL AND NGL REVENUE

Oil and NGL Revenue by Segment

(\$ thousands)	2001	2000	1999
Canada	41,350	42,185	26,105
United States	17,116	22,265	13,410
Total	58,466	64,450	39,515

Prices

(\$bbl)	2001	2000	1999
Canada	32.61	36.67	24.19
United States	33.30	39.18	22.50
Total	32.81	37.50	23.25

Crude oil revenue decreased nine percent from \$64.4 million in 2000 to \$58.5 million in 2001 as a result of declining prices. West Texas Intermediate reference prices decreased 14 percent to average \$US 25.96 in 2001 compared to \$US 30.26 in 2000. Summit realized an average oil price of \$32.81 per bbl in 2001, a decrease of 12 percent from \$37.50 per bbl in 2000. Summit's average realized oil price for the fourth quarter of 2001 was \$24.24 per bbl, a decline of 37 percent from \$38.66 per bbl in the fourth quarter of 2000.

NATURAL GAS REVENUE

Natural Gas Revenue by Segment

(\$ thousands)	2001	2000	1999
Canada	107,304	75,370	45,808
United States	1,708	424	234
Total	109,012	75,794	46,042

Prices

(\$/Mcf)	2001	2000	1999
Canada	5.74	4.72	2.73
United States	3.55	3.16	1.74
Total	5.68	4.70	2.71

Summit realized natural gas revenue in 2001 of \$109.0 million, compared to \$75.8 million in 2000. The Company benefited from strong natural gas markets in the first half of the year to achieve a 21 percent increase in its 2001 average realized gas price of \$5.68 per Mcf (2000 – \$4.70 per Mcf). NYMEX gas prices averaged \$US 4.38 per MMBtu in 2001, an increase of 12 percent from \$US 3.91 per MMBtu in 2000. Summit's average realized natural gas price for the fourth quarter of 2001 was \$3.40 per Mcf, a decline of 47 percent from \$6.47 per Mcf in the fourth quarter of 2000.

ROYALTIES

	2001	2000	1999
Royalties (\$ thousands)			
Oil and NGL	10,062	12,280	6,425
Natural Gas	29,752	18,052	8,017
Total	39,814	30,332	14,442
Percentage of Sales (%)			
Oil and NGL	17.2	19.0	16.5
Natural Gas	27.3	23.8	17.4
Total	23.8	21.6	17.0

Royalties by Segment

(\$ thousands)	2001	2000	1999
Canada	36,758	26,562	12,180
United States	3,056	3,770	2,262
Total	39,814	30,332	14,442

Royalty expense, net of ARTC, increased 31 percent in 2001 to \$39.8 million from \$30.3 million in 2000. The increase was primarily due to higher natural gas prices in the first part of the year having an amplified effect on Canadian royalty expenses due to the sliding scale rate structure used to determine Crown royalties. Royalty rates, as a percentage of sales, decreased for both oil and natural gas during the latter half of 2001 as the underlying commodity prices declined.

In Canada, royalty rates are set according to a sliding scale calculation which imputes higher royalty rates as commodity prices increase. The impact of sliding scale calculations is less significant for Summit's oil properties as a significant portion of oil revenue is generated in the U.S., where royalties are calculated at a fixed rate.

Royalty expense in the fourth quarter was \$5.9 million averaging 21.2 percent of revenues (2000 – \$11.1 million and 23.5 percent). Royalty rates for the fourth quarter were less than the average for the year due to the decline in commodity prices.

PRODUCTION COSTS

	2001	2000	1999
Production Costs (\$ thousands)			
Oil and NGL	14,680	11,359	9,722
Natural Gas	11,729	6,307	9,599
Total	26,409	17,666	19,321
Unit Costs			
Oil and NGL (\$/bbl)	8.24	6.65	5.80
Natural Gas (\$/Mcf)	0.61	0.39	0.56
Total (\$/BOE*)	5.30	4.03	4.29

* BOE (6 Mcf = 1 BOE) see page 45 for 10:1 BOE data.

Production Costs by Segment

(\$ thousands)	2001	2000	1999
Canada	20,814	13,575	15,839
United States	5,595	4,091	3,482
Total	26,409	17,666	19,321

Summit's production costs increased 49 percent in 2001 to \$26.4 million (2000 – \$17.7 million). On a unit basis, production costs increased from \$4.03 per BOE in 2000 to \$5.30 per BOE in 2001.

The increase in production costs is due to higher fuel and utility costs, especially in the first half of the year, and increased cost of services due to high industry demand. In addition, oil property unit costs have increased as continued natural declines in mature fields result in lower volumes without commensurate declines in fixed costs.

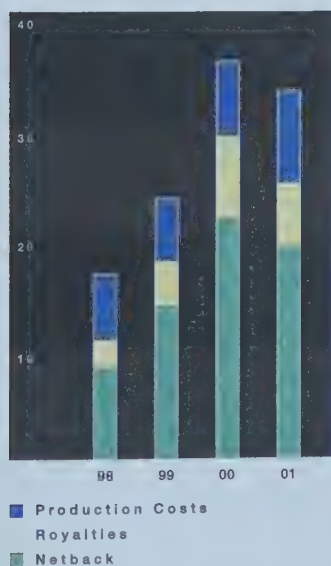
Production costs for the fourth quarter were \$6.9 million (\$5.39 per BOE), an increase of 36 percent from \$5.1 million (\$4.21 per BOE) in the fourth quarter of 2000. This quarterly increase is consistent with increases in prior quarters.

NETBACKS

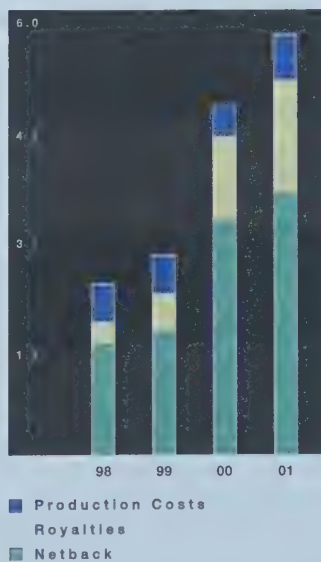
	2001	2000	1999
Oil and NGL (\$/bbl)			
Revenue	33.08	39.61	23.84
Hedging	(0.27)	(2.11)	(0.59)
Royalties	(5.65)	(7.19)	(3.83)
Production Costs	(8.24)	(6.65)	(5.80)
Netback	18.92	23.66	13.62
Natural Gas (\$/Mcf)			
Revenue	5.71	4.71	2.71
Brokerage/Hedging	(0.03)	(0.01)	—
Royalties	(1.55)	(1.13)	(0.48)
Production Costs	(0.61)	(0.39)	(0.56)
Netback	3.52	3.18	1.67
Total Netback (\$/BOE*)			
Revenue	33.85	32.87	19.22
Brokerage/Hedging	(0.22)	(0.84)	(0.24)
Royalties	(8.00)	(6.93)	(3.20)
Production Costs	(5.30)	(4.03)	(4.29)
Netback	20.33	21.07	11.49

* BOE (6 Mcf = 1 BOE) see page 45 for 10:1 BOE data.

LIQUIDS NETBACK
(\$/bbl)



NATURAL GAS NETBACK
(\$/Mcf)



Summit's continuing strategy of maintaining a production profile relatively balanced between oil and natural gas enabled the Company to optimize the benefits of strong prices for both commodities, especially in the first half of the year. The higher prices realized in the first half of the year were offset by significantly weaker commodity prices in the latter part of the year, especially the fourth quarter. For the year, the Company's overall netback decreased by four percent to \$20.33 per BOE in 2001 (2000 – \$21.07 per BOE). For the year as a whole, realized oil equivalent commodity prices were relatively consistent with the prior year. These strong prices were offset by higher royalty rates and increased production costs for a 20 percent decrease in the netback on liquids production of \$18.92 per bbl (2000 – \$23.66 per bbl) and an 11 percent increase in the netback on natural gas production to \$3.52 per Mcf in 2001 (2000 – \$3.18 per Mcf).

The netback for the fourth quarter was \$11.76 per BOE, a 54 percent decline from \$25.43 per BOE in 2000. The principal reason for this decrease was the decline in commodity prices in the fourth quarter of 2001 contrasting with the escalation in commodity prices experienced in the fourth quarter of 2000 as discussed above.

GENERAL AND ADMINISTRATIVE EXPENSES

(\$ thousands except where noted)	2001	2000	1999
General and Administrative Expenses (gross)	8,470	7,603	6,600
Overhead Recoveries	(5,052)	(3,730)	(3,063)
General and Administrative Expenses (net)	3,418	3,873	3,537
Unit Net General and Administrative Expenses (\$/BOE*)	0.69	0.88	0.78

* BOE (6 Mcf = 1 BOE) see page 45 for 10:1 BOE data.

Net general and administrative expenses were \$3.4 million in 2001, representing a 12 percent decrease from \$3.9 million in 2000. General and administrative costs on a per unit basis decreased in 2001 to \$0.69 per BOE (2000 – \$0.88 per BOE). The decrease in net general and administrative costs was due to higher recoveries from capital and operating projects.

Throughout 2001, Summit continued to actively recruit qualified technical personnel who were required to facilitate pursuit of an accelerated exploration and development program. As a result of higher staff levels through 2001, gross general and administrative expenses increased. No growth in staff numbers is anticipated in 2002.

INTEREST EXPENSE

	2001	2000	1999
Interest Expense (\$ thousands)	3,456	4,538	5,149
Average Interest Rate – Summit (%)	4.71	6.30	5.90
Unit Interest Expense (\$/BOE*)	0.69	1.04	1.14
Interest Coverage Ratio (times)	27.4	18.8	9.0

* BOE (6 Mcf = 1 BOE) see page 45 for 10:1 BOE data.

Summit's interest expense decreased 24 percent from \$4.5 million in 2000 to \$3.5 million in 2001. Interest rates were decreasing in 2001 at the same time as the Company was reducing its long-term debt levels. Summit's long-term debt decreased from \$94.1 million at December 2000 to \$69.0 million at December 2001. This decline compares with an increase in debt levels in the prior year from \$64.6 million at December 1999 to \$94.1 million at December 2000 resulting from the acquisition of Torex Resources Inc. Interest rates paid by the Company decreased in 2001 from a first quarter average of 4.83 percent to 3.64 percent in the fourth quarter.

Summit's average interest rate of 4.71 percent in 2001 remained below the average prime interest rate of 5.99 percent. Based on Summit's current financing arrangements, the Company's average interest rate will continue to be below the average prime lending rate in 2002.

Interest expense in the fourth quarter of 2001 was \$596,000 compared to \$1.5 million in 2000. The significant decline in interest expense is due to both reduced debt levels and lower interest rates.

CAPITAL AND PRODUCTION TAXES

(\$ thousands except where noted)

	2001	2000	1999
Production and Severance Taxes	2,009	2,407	1,393
Capital Taxes	1,017	784	396
Total	3,026	3,191	1,789
Unit Capital and Production Taxes (\$/BOE*)	0.61	0.73	0.40

* BOE (6 Mcf = 1 BOE) see page 45 for 10:1 BOE data.

Production and severance taxes are primarily incurred on oil production, with the majority related to production in the United States. The decrease in these taxes in 2001 to \$2.0 million from \$2.4 million in 2000 is consistent with decreased oil revenue and specifically, a decrease in the portion of oil revenue which is contributed by Summit's United States properties.

Capital taxes include amounts for federal Large Corporations Tax and Saskatchewan Capital Tax. A reduction in the Large Corporations Tax was realized in 2001 as a result of a reduced capital base related to lower debt levels. The Saskatchewan Capital Tax, which is a resource surcharge based on oil revenue generated in the province, decreased in 2001 consistent with decreased oil revenues.

Capital and production taxes for the fourth quarter of 2001 were \$328,000 (\$0.26 per BOE) compared to \$903,000 (\$0.75 per BOE) in 2000.

DEPLETION, DEPRECIATION AND SITE RESTORATION

(\$ thousands except where noted)

	2001	2000	1999
Depletion Expense	31,301	22,734	20,795
Depreciation Expense	13,756	10,723	10,955
Site Restoration Expense	1,779	954	931
Total	46,836	34,411	32,681
Unit Depletion (\$/BOE*)	6.29	5.19	4.61
Unit Depreciation (\$/BOE*)	2.76	2.45	2.43
Unit Site Restoration (\$/BOE*)	0.36	0.22	0.21
Total (\$/BOE*)	9.41	7.86	7.25

* BOE (6 Mcf = 1 BOE) see page 45 for 10:1 BOE data.

Depletion, depreciation and site restoration expense increased 36 percent in 2001 to \$46.8 million compared to \$34.4 million in 2000. Depletion, depreciation and site restoration expense are provided on a unit of production method based on total proved reserves with gas converted to an oil equivalent using a ratio of 6 Mcf to 1 bbl. The increase in 2001 is attributable to increased per unit charges coupled with increased average production levels in the current year.

Depletion and depreciation rates for 2002 will be affected by the Company's 2001 capital expenditures and reserve additions. An overall increase in total depletion and depreciation expense is expected in 2002 based on a higher unit charge.

Depletion and depreciation for the fourth quarter of 2001 was \$13.5 million (\$10.56 per BOE) compared to \$10.1 million (\$8.36 per BOE) in the fourth quarter of 2000.

The Company's estimated liability for future abandonment and site restoration is reviewed annually and a provision is made on a unit of production basis over the life of the Company's proved reserves. The provision for 2001 of \$1.8 million was 86 percent higher than the \$954,000 provision in 2000 consistent with increased production levels. The total estimated liability for Summit is presently \$22.6 million with \$9.9 million recorded on the balance sheet to December 31, 2001. Future abandonment and site restoration expense for the fourth quarter of 2001 was \$750,000 (\$0.59 per BOE) compared to \$247,000 (\$0.20 per BOE) in 2000.

INCOME TAXES

In 2001, Summit incurred no current tax liability (2000 – \$5.4 million) as available deductions were sufficient to offset current taxable income. The provision for future income taxes in 2001 was \$16.9 million (2000 – \$11.0 million), which represents an effective tax rate of 38.0 percent. The Company is able to utilize loss carry-forwards to eliminate taxable income in the United States, thereby reducing the effective tax rate on consolidated earnings.

Summit has the following remaining tax pools to apply against income in future years:

Tax Pools		
(\$ thousands)	2001	Annual Rate of Claim
Canada		
Canadian Exploration Expense	12,313	100 percent
Canadian Development Expense	54,232	30 percent
Canadian Oil and Gas Property Expenses	55,115	10 percent
Undepreciated Capital Costs	56,830	2.5 – 30 percent
Non Capital Losses	2,438	100 percent
United States		
Depletables	48,188	Unit of Production
Depreciables	3,210	Unit of Production
Intangible Drilling Costs	8,943	20 percent
Net Operating Losses	39,579	100 percent

The Company presently estimates a current income tax obligation of approximately \$15 million in 2002. This amount will be payable in February 2003.

CASH FLOW FROM OPERATIONS AND NET EARNINGS

(\$ thousands except where noted)	2001	2000	1999
Cash Flow	91,355	75,244	41,319
Per Share – basic (\$/share)	2.86	2.30	1.24
Net Earnings	27,585	29,852	5,825
Per Share – basic (\$/share)	0.86	0.91	0.17

Cash flow increased 21 percent in 2001 to \$91.4 million (2000 – \$75.2 million). Increased production and commodity prices resulted in higher revenues compared to 2000. Significantly higher royalty and production costs impacted cash flow and net earnings while reduced interest and general and administrative costs contributed to increase cash flow in 2001 compared to the prior year. Significantly higher depletion and depreciation costs and future tax obligations impacted the Company's earnings to result in slightly lower net earnings compared to the prior year.

Summit's net earnings of \$27.6 million in 2001 declined eight percent compared to net earnings of \$29.9 million in 2000. This decline is due primarily to decreased commodity prices, particularly in the latter months of the year, coupled with increased royalty, production and non-cash charges.

Cash flow for the fourth quarter of 2001 was \$13.7 million (\$10.73 per BOE) compared to \$22.4 million (\$18.52 per BOE) in 2000. The decrease in cash flow is attributable to the significant decline in the fourth quarter in commodity prices for all of the Company's production. The Company recorded a loss of \$0.8 million (\$0.03 per share) in the fourth quarter as a result of decreased commodity prices, coupled with increased non-cash charges. This compares with net earnings of \$10.6 million (\$0.33 per share) in the fourth quarter of 2000.

RESULTS BY QUARTER

Period Ended December 31, 2001

(\$ thousands except where noted)

	Q1	Q2	Q3	Q4	Total
Oil and NGL Production (bbls/d)	4,938	5,042	4,633	4,921	4,882
Natural Gas Production (MMcf/d)	52.3	54.0	50.1	53.7	52.6
Total Production (BOE/d)	13,662	14,047	12,988	13,877	13,642
Revenues	59,856	48,255	31,596	27,771	167,478
Royalties	16,597	11,134	6,219	5,864	39,814
Production Costs	6,446	6,180	6,895	6,888	26,409
Cash Flow	33,336	27,635	16,685	13,699	91,355
Cash Flow per Share (\$/share)	1.04	0.86	0.52	0.44	2.86
Net Earnings (Loss)	11,843	12,416	4,176	(850)	27,585
Net Earnings (Loss) per Share (\$/share)	0.37	0.39	0.13	(0.03)	0.86

Period Ended December 31, 2000

(\$ thousands except where noted)

	Q1	Q2	Q3	Q4	Total
Oil and NGL Production (bbls/d)	4,287	4,665	4,603	5,109	4,667
Natural Gas Production (MMcf/d)	40.7	42.7	43.6	48.1	43.8
Total Production (BOE/d)	11,067	11,778	11,870	13,122	11,962
Revenues	25,485	31,710	35,950	47,099	140,244
Royalties	5,213	6,291	7,770	11,058	30,332
Production Costs	4,073	3,472	5,043	5,078	17,666
Cash Flow	13,414	19,064	20,400	22,366	75,244
Cash Flow per Share (\$/share)	0.40	0.58	0.62	0.70	2.30
Net Earnings	3,994	7,389	7,836	10,633	29,852
Net Earnings per Share (\$/share)	0.12	0.22	0.24	0.33	0.91

INTEREST RATE
ANALYSIS
(percent)



Actual Rate — Prime Rate

DEBT TO CASH
FLOW RATIO
(times)



LONG-TERM DEBT

Maintaining financial flexibility continued to be a critical area of focus for Summit in 2001. Summit's debt to cash flow ratio at December 31, 2001 was 0.9 times 2001 cash flow (2000 – 1.3 times), which is substantially lower than historical levels. Summit maintains an objective of limiting debt to cash flow to approximately 1.0 times in periods of high commodity prices and 2.0 times in low price environments. Summit's debt position provides the flexibility to pursue further exploration, development and acquisition opportunities in 2002 and beyond.

A portion of the Company's debt continues to be in the form of Senior Notes, which are privately placed with U.S. institutional investors. The Senior Notes mature on April 25, 2005 with payments structured through four remaining equal installments to be made annually commencing in April 2002. Foreign exchange swap arrangements have fixed the repayment of the principal amount of the Notes at their carrying value in Canadian dollars. At December 31, 2001, the carrying value of the Senior Notes was \$29.8 million (2000 – \$38.0 million). On March 19, 2002, the Company retired \$16.4 million (\$US 12 million) of the outstanding Senior Notes, for a payment of \$19.1 million. At the same time a proportionate amount of the related interest rate and foreign exchange swap arrangements then in place were terminated.

The remainder of the Company's debt is held by a major Canadian chartered bank in the form of an extendible revolving credit facility. No principal repayments are required on this facility in 2002.

Effective for fiscal periods commencing January 1, 2002, the Canadian Institute of Chartered Accountants has amended Canadian Generally Accepted Accounting Principles to require all borrowings where the lender has a right to demand repayment within 12 months (other than in the event of a default or breach of covenants) or where the lender has the right to refuse to roll-over the borrowing for a further lending period longer than 12 months to be classified as current liabilities.

The Company will adopt this requirement effective for the reporting period ending March 31, 2002. The impact of this change in Canadian GAAP will be to increase current liabilities by the amount of any such borrowings then in place. Had this change been adopted as at December 31, 2001, current liabilities would have increased by \$39.2 million and long-term debt would have been reduced by a similar amount.

SHARE CAPITAL

Summit's common shares continued to trade in relatively low volumes in 2001. A total of 6.7 million shares traded in 2001 (2000 – 6.3 million) at prices ranging from \$4.25 to \$7.40 (2000 – \$1.90 to \$5.00). This represented 21 percent of the average number of issued and outstanding common shares of the Company. The closing price of Summit's stock at December 31, 2001 was \$5.05 (2000 – \$4.60) representing 1.8 times trailing annual cash flow.

During the year the Company also purchased 329,700 common shares at an average price of \$5.74 under a normal course issuer bid (2000 – 1.59 million shares at \$3.69 per share).

BUSINESS AND ENVIRONMENTAL RISKS

Summit's ability to meet its objective of maximizing shareholder value and ultimate financial viability is influenced by a number of factors, the most basic of which is the Company's ability to find oil and gas reserves and produce them efficiently. Summit's commitment to full cycle exploration maximizes the chance of success by broadening our scope to include all aspects of land and prospect evaluation, exploration and development, marketing and risk management and core asset focus.

A number of risk factors must be considered in this process including:

- The oil and gas industry is capital intensive and recurring production expenses are a significant cash outflow while capital resources are constrained. Efficient finding and on-stream and production costs are critical success factors. Summit applies rigorous economic criteria and cost control to each of its projects and the Company's debt burden is limited to ensure financial flexibility.
- Key performance factors including production volumes, cash flow, finding costs and product netbacks are very sensitive to changing industry, operating, or market conditions and are, therefore, susceptible to rapid changes. Summit has in place comprehensive reporting, analysis and evaluation systems to manage and, wherever possible, anticipate and react to such changes.
- The prices received by the Company for its commodities are highly volatile and are influenced by many factors that are beyond Summit's control including global supply and demand conditions, world-wide political events, weather, and exchange rate fluctuations. Summit's Board of Directors have established guidelines for the Company's risk management strategies which allow the Company to enter into financial transactions to mitigate price risk and establish more certainty for its cash flow streams. The Company also maintains a balanced portfolio of sales contracts for its production to reduce its exposure to short-term market fluctuations.
- The oil and gas industry in North America is highly competitive. Summit must compete with other industry participants for qualified personnel, financing, new acreage, drilling equipment, the services of oil and gas service companies, well equipment, commodity sales contracts and transportation capacity. The Company focuses its activities within select areas where its experience and expertise should provide a competitive advantage. We utilize the latest technology and employ the most skilled, highly trained, motivated individuals in each of the Company's disciplines.

The regulatory environment in which the Company operates is becoming increasingly complex and the costs and potential effects of non-compliance are ever-increasing. Furthermore, industry in general and specifically the oil and gas industry are faced with increasing concerns regarding the environmental impact of corporate operations.

Summit's Board of Directors has approved, and Management has implemented, a comprehensive set of environmental and safety policies. A safety awareness and training program has been established for all employees and contractors and the Company has developed a safety procedures manual and emergency response plan to deal with situations that may jeopardize the environment or public safety. Regular third party reviews of all Summit's operated properties are conducted with respect to environmental and safety concerns. Corporate insurance arrangements are in place to protect the Company against losses due to disruption or accidents.

Summit is committed to acting responsibly with respect to our environment wherever we operate and our control procedures and policies are in compliance with the Environmental Code of Practice published by the Canadian Association of Petroleum Producers.

2002 ESTIMATES

Summit's expected results for 2002 are dependent upon economic conditions such as commodity prices and foreign exchange rates which are beyond Management's control. The Company's ability to achieve production estimates will be impacted by the success of its drilling program and capital projects for property development. The following table quantifies the sensitivity of Management's estimates for 2002 to fluctuations in factors that are uncertain.

SENSITIVITY ANALYSIS

Variable	2002 Estimate	Variation	Cash Flow Impact	
			\$ thousands	\$/share
Oil Production – bbls/d	4,100	100	450	0.01
Natural Gas Production – MMcf/d	50	1	650	0.02
Oil Prices – WTI \$US/bbl	\$ 20.00	\$ 1.00	1,700	0.05
Natural Gas Prices – Corp. Avg. \$/Mcf	\$ 4.00	\$ 0.10	1,300	0.04
Exchange Rate (\$US/\$CAD)	\$ 0.64	\$ 0.01	1,400	0.04

MANAGEMENT'S REPORT

The accompanying consolidated financial statements and all information in the annual report are the responsibility of Management. The consolidated financial statements have been prepared by Management in accordance with the accounting policies described in the notes to the consolidated financial statements. In the opinion of Management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has developed and maintains systems of internal accounting controls, policies and procedures in order to provide reasonable assurance as to the reliability of the financial records and the safeguard of assets.

External auditors, appointed by the shareholders of the Company, have examined the consolidated financial statements and have expressed an opinion on the statements. Their report is included with the consolidated financial statements.

The Board of Directors of the Company has established an Audit Committee, consisting of non-management directors, to review these statements with Management and the auditors. The auditors also conduct timely reviews of the Company's quarterly financial statements. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.



Donald J. Nelson, P. Eng.
President
Calgary, Canada
March 7, 2002



Cameron R. Sebastian, CA
Vice President, Finance and Chief Financial Officer

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SUMMIT RESOURCES LIMITED

We have audited the consolidated balance sheets of Summit Resources Limited as at December 31, 2001 and 2000 and the consolidated statements of earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

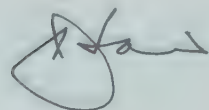


Chartered Accountants
Calgary, Canada
March 7, 2002 (except as to Note 3(b) which is as of March 19, 2002)

CONSOLIDATED BALANCE SHEETS

(\$ thousands)		
As at December 31	2001	2000
ASSETS		
Current Assets		
Accounts Receivable	\$ 9,547	\$ 18,290
Capital Assets (Note 2)	324,066	301,456
	<u>\$ 333,613</u>	<u>\$ 319,746</u>
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 21,586	\$ 21,674
Current Portion of Long-Term Debt	8,190	—
Income Taxes Payable (Note 6)	—	5,400
	<u>29,776</u>	<u>27,074</u>
Long-term Debt (Note 3)	60,791	94,076
Other Liabilities (Note 5)	10,595	9,400
Future Income Taxes (Note 6)	74,800	57,866
	<u>146,186</u>	<u>161,342</u>
SHAREHOLDERS' EQUITY		
Capital (Note 7)	149,817	151,081
Retained Earnings (Deficit)	7,834	(19,751)
	<u>157,651</u>	<u>131,330</u>
	<u>\$ 333,613</u>	<u>\$ 319,746</u>

Approved by the Board of Directors



Director



Director

CONSOLIDATED STATEMENTS OF EARNINGS

(\$ thousands except per share amounts)

Year ended December 31	2001	2000
REVENUE		
Oil and Natural Gas	\$ 167,478	\$ 140,244
Royalties	(39,814)	(30,332)
	<u>127,664</u>	<u>109,912</u>
EXPENSES		
Production	26,409	17,666
General and Administrative	3,418	3,873
Interest on Long-term Debt	3,456	4,538
Capital and Production Taxes	3,026	3,191
Depletion and Depreciation	46,836	34,411
	<u>83,145</u>	<u>63,679</u>
Earnings before Income Taxes	<u>44,519</u>	<u>46,233</u>
Income Taxes (Note 6)		
Current	-	5,400
Future	16,934	10,981
	<u>16,934</u>	<u>16,381</u>
NET EARNINGS	<u>27,585</u>	<u>29,852</u>
Deficit at Beginning of Year	(19,751)	(50,750)
Change in Accounting Policy (Note 1(g))	-	1,147
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	<u>\$ 7,834</u>	<u>\$ (19,751)</u>
EARNINGS PER SHARE (Note 1(d))		
- Basic	\$ 0.86	\$ 0.91
- Diluted	<u>\$ 0.84</u>	<u>\$ 0.90</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ thousands except per share amounts)

Year ended December 31

2001

2000

CASH PROVIDED BY (USED FOR)

Operating Activities

Net Earnings	\$ 27,585	\$ 29,852
Items not Involving Cash		
Depletion and Depreciation	46,836	34,411
Future Income Taxes	16,934	10,981
Funds Flow from Operations	91,355	75,244
Change in Other Liabilities and Non-Cash Working Capital	(3,139)	(509)
	<u>88,216</u>	<u>74,735</u>

Financing Activities

Issue of Share Capital	630	310
Purchase of Common Shares	(1,894)	(5,862)
(Repayments) Borrowings of Long-term Debt	(25,095)	29,429
	<u>(26,359)</u>	<u>23,877</u>

Funds Available for Investment

\$ 61,857	\$ 98,612
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Investing Activities

Exploration and Development of Petroleum and Natural Gas Properties	\$ (65,323)	\$ (45,211)
Acquisition of Petroleum and Natural Gas Properties	(1,730)	(52,221)
Disposition of Petroleum and Natural Gas Properties	1,787	617
Decrease in Non-Cash Working Capital	5,810	7,147
Corporate Assets	(2,401)	(8,944)
	<u>\$ (61,857)</u>	<u>\$ (98,612)</u>

FUNDS FLOW FROM OPERATIONS PER SHARE (Note 1(d))

– Basic	\$ 2.86	\$ 2.30
– Diluted	<u>\$ 2.79</u>	<u>\$ 2.26</u>

1. ACCOUNTING POLICIES

The consolidated financial statements have been prepared by Management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the amounts recorded in the financial statements and accompanying notes. Actual results could differ from these estimates. The consolidated financial statements have, in Management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

b) Petroleum and Natural Gas Operations

The Company follows the full cost method of accounting whereby all costs associated with the exploration for and development of petroleum and natural gas reserves are capitalized on a country-by-country basis, currently Canada and the United States. Such costs include land acquisition costs, geological and geophysical costs, lease rental costs on non-producing properties, costs of both productive and unproductive drilling and production equipment. Gains or losses are not recognized upon disposition of petroleum and natural gas properties unless crediting the proceeds against accumulated costs would result in a change in the depletion rate of 20 percent or more.

The accumulated costs in a cost centre from which there is production, less the costs of acquisition of unproved properties, are depleted and depreciated using the unit of production method based on total proved reserves before royalties. Natural gas reserves and production are converted into equivalent barrels of oil based upon the estimated relative energy content.

The costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of impairment is added to the costs subject to depletion.

The net carrying cost of the Company's petroleum and natural gas properties in a cost centre is limited to an estimated recoverable amount being the aggregate of future net revenues from proved reserves, less future capital costs and the costs of unproved properties, net of impairment allowances. The total net carrying costs of all cost centres is further limited by the above estimated recoverable amount less future site restoration costs, general and administrative costs, financing costs and income taxes. Future net revenues have been calculated using prices and costs in effect at the Company's year-end without escalation or discounting.

Substantially all of the exploration, development and production activities of the Company are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

The Company's corporate assets are recorded at cost and are depreciated on a straight line basis at rates ranging from 2.5 percent – 20 percent.

c) Future Site Restoration Costs

Estimated future site restoration costs are provided for using the unit of production method based on total proved reserves before royalties. Costs are estimated by the Company's engineers based on current regulations, costs, technology and industry standards. The annual charge is included in the calculation of net earnings and removal and site restoration expenditures are charged to the accumulated provision as incurred.

d) Per Share Information

The Company uses the treasury stock method where only "in the money" dilutive instruments impact the diluted calculations. In computing diluted earnings and funds flow from operations per share, 804,907 net shares were added to the weighted average number of common shares outstanding during the year ended December 31, 2001 (2000 – 706,865 net shares) for the dilutive effect of stock options. No adjustments were required to reported earnings or funds flow from operations in computing diluted per share amounts. A total of 48,000 (2000 – 400,000) options were excluded from the diluted calculations as they were anti-dilutive.

e) Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year end while non-monetary assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated at monthly average rates of exchange.

f) Financial Instruments

The Company periodically enters into derivative financial instrument contracts to manage exposures related to interest rates, foreign currency exchange rates and oil and natural gas prices. Amounts received or paid under interest rate swaps are recognized in interest expense, while settlement amounts on commodity and foreign currency hedge contracts are recognized in earnings as the related production revenues are recorded (See Note 4).

g) Income Taxes

During 2000, the Company adopted the liability method of tax allocation accounting retroactively without restatement. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

h) Stock Option Plan

The Company has a stock option plan as described in note 7(c). No amount is recorded as an expense when options are issued. Consideration received upon exercise of options is included in share capital.

2. CAPITAL ASSETS

	2001	2000
Petroleum and Natural Gas Rights Including		
Exploration and Development Thereon	\$ 571,430	\$ 523,614
Production Equipment and Facilities	182,027	164,577
Corporate Assets	17,861	15,460
	<u>771,318</u>	<u>703,651</u>
Accumulated Depletion and Depreciation	(447,252)	(402,195)
	<u>\$ 324,066</u>	<u>\$ 301,456</u>

As at December 31, 2001, Capital Assets include \$28.2 million (2000 – \$28.8 million) related to unproved properties. Included in this amount is \$4.9 million (2000 – \$8.1 million) related to U.S. unproved properties. These costs are excluded from depletion calculations until such time as the properties are evaluated.

3. LONG-TERM DEBT

	2001	2000
Bank Loan	\$ 39,162	\$ 56,076
Senior Notes – Long-term	21,629	38,000
	60,791	94,076
Senior Notes – Current portion	8,190	–
	\$ 68,981	\$ 94,076

a) Bank Loan

The Company has an Extendible Revolving Term Credit Facility with a major Canadian chartered bank in the amount of \$142 million at December 31, 2001. Available borrowings are subject to a semi-annual review of the Company's oil and gas borrowing base as determined by the bank, less the outstanding principal under the Senior Notes. The bank has agreed that no principal repayments will be required during 2002 under the facility providing the Company continues to satisfy the provisions of the credit agreement. Borrowings under the facility bear interest at the bank's prime lending rate, bankers' acceptance or LIBOR rates plus applicable margins, ranging from 87.5 to 130.0 basis points. Advances drawn on the facility are secured by a floating charge debenture and a general security agreement.

b) Senior Notes

The Senior Notes are repayable in four remaining equal instalments (see Note 4 (a)) with interest payable semi-annually, in arrears, until maturity. The four installments are scheduled to be made annually commencing April 25, 2002. The installment scheduled for April 2002 will be made utilizing the Company's available bank loan facility. Security on the Senior Notes ranks equally with the Company's bank loan and includes a floating charge debenture and general assignment of accounts receivable. On March 19, 2002, the Company retired \$16.4 million (\$US 12 million) of the outstanding Senior Notes, for a payment of \$19.1 million. At the same time a proportionate amount of the related interest rate and foreign exchange swap arrangements then in place were terminated. These transactions will result in a net gain, before income taxes, of \$0.8 million and a reduction in the current portion of the Senior Notes, due April 25, 2002, of \$4.1 million.

c) Interest Paid

Total interest paid for the year ended December 31, 2001 was \$4.3 million (2000 – \$4.3 million).

4. FINANCIAL INSTRUMENTS

Certain financial instruments used to manage the Company's exposure to interest rates and foreign currency exchange rate fluctuations were outstanding at December 31, 2001 and 2000.

a) Interest Rate and Foreign Exchange Swaps

Interest rate swap arrangements have converted the fixed interest rate on the Senior Notes to a floating rate that fluctuates with the Canadian Bankers' Acceptance rate plus a margin of 79.5 basis points. Further foreign exchange swap arrangements have fixed the repayment of the principal amount of the Senior Notes at \$29.8 million. The estimated fair value of the interest rate swap arrangement at December 31, 2001 is a \$1.8 million gain (2000 – \$0.3 million gain). The estimated fair value of the foreign exchange swap arrangement at December 31, 2001 is a \$5.5 million gain (2000 – \$4.0 million gain).

b) Alliance Pipeline Supply Contract

The Company has an agreement with Alliance Pipeline Limited Partnership to supply 15 million cubic feet of gas per day until 2015 into the Alliance Pipeline for export to United States markets.

c) Credit Risk

The Company is exposed to credit risk from financial instruments to the extent of non-performance by third parties, and non-performance by counterparties to swap agreements. The Company minimizes credit risk associated with swap agreements by entering into contracts with only highly rated counterparties and controls third party credit risk with credit approvals, limits on exposures to any one counterparty, and monitoring procedures. The Company sells production to a variety of purchasers under normal industry sale and payment terms. The Company's accounts receivable are with customers and joint venture partners in the petroleum and natural gas industry and are subject to normal credit risks.

d) Commodity Price Contracts

As at December 31, 2001 the Company had no financial commodity price contracts in place.

5. OTHER LIABILITIES

	2001	2000
Provision for Future Site Restoration	\$ 9,850	\$ 8,319
Deferred Revenue	745	1,081
	\$ 10,595	\$ 9,400

The Company estimates the total remaining future site restoration costs for all properties to be \$12.8 million.

6. FUTURE INCOME TAXES

The income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rate to earnings before income taxes. The major components of these differences are as follows:

	2001	2000
Earnings before Income Taxes	\$ 44,519	\$ 46,233
Canadian Corporate Tax Rate	42.6%	44.6%
Calculated Income Tax Provision	\$ 18,965	\$ 20,620
Add (Deduct)		
Non-deductible Crown Charges	14,066	10,797
Federal Resource Allowance	(11,262)	(9,787)
Income Tax Rate Reduction	(2,800)	—
Foreign Tax Rate Differential	(283)	(711)
Benefit of Accounting Losses Previously Unrecognized	(2,153)	(4,455)
Other	401	(83)
	\$ 16,934	\$ 16,381

The components of the net future income tax liability at December 31, 2001 are as follows:

Future Income Tax Liabilities	
Property Plant and Equipment	\$ 79,019
Future Income Tax Assets	
Future Site Restoration and Other	4,219
Property Plant and Equipment (US)	23,311
Valuation Adjustment	(23,311)
Net Future Tax Liability	<u>\$ 74,800</u>

Total income taxes paid in 2001 were \$5.5 million (2000 – \$nil).

7. CAPITAL

a) Authorized

Authorized share capital consists of an unlimited number of common shares without par value.

b) Issued and Outstanding

The following is a summary of changes in capital during the two years ended December 31, 2001:

	Number Of Shares	Amount
Common Shares		
Balance, December 31, 1999	33,417,360	\$ 156,633
Shares Acquired Under Normal Course Issuer Bid	(1,588,186)	(7,437)
Exercise of Stock Options, for Cash	146,764	310
Balance, December 31, 2000	31,975,938	149,506
Shares Acquired Under Normal Course Issuer Bid	(329,700)	(1,537)
Exercise of Stock Options, for Cash	266,508	630
Balance, December 31, 2001	<u>31,912,746</u>	<u>\$ 148,599</u>
Contributed Surplus		
Shares Acquired Under Normal Course Issuer Bid –		
Excess of Net Book Value Over Purchase Price		\$ 1,575
Balance, December 31, 2000	–	1,575
Shares Acquired Under Normal Course Issuer Bid –		
Excess of Purchase Price Over Net Book Value		(357)
Balance, December 31, 2001	–	\$ 1,218
Balance of Capital, December 31, 2001	<u>31,912,746</u>	<u>\$ 149,817</u>

On March 28, 2001, the Company announced its intention, pursuant to a normal course issuer bid, to purchase up to 5 percent of its issued and outstanding common shares. During 2001, the Company acquired 329,700 common shares (1.0 percent) (2000 – 1,588,186 common shares (4.6 percent)) at an average cost of \$5.74 per share (2000 – \$3.69).

Contributed Surplus arises as a result of the purchase and cancellation of common shares acquired at a cost less than their book value; the difference being recorded as Contributed Surplus. Where common shares are acquired for amounts in excess of book value, the difference is charged against the existing Contributed Surplus balance.

c) Shares Reserved For Issuance

Employee Stock Option Plans The Company has reserved 2,800,000 common shares pursuant to the Incentive Stock Option Plan and 1,400,000 common shares pursuant to the Share Incentive Plan – 1996. Options granted under the Plans will be for a five-year period, and are available to employees, officers and directors of the Company. Options granted vest daily on a pro-rata basis and become exercisable equally over a four-year period. Stock option transactions for the respective years were as follows:

	2001		2000	
	Number of Options (thousands)	Weighted Average Exercise Price (\$/Share)	Number of Options (thousands)	Weighted Average Exercise Price (\$/Share)
Outstanding, January 1	1,869	\$ 2.85	1,508	\$ 3.18
Granted	489	5.19	1,065	2.76
Exercised	(267)	2.36	(146)	2.11
Cancelled	(93)	4.19	(558)	3.75
Outstanding, December 31	1,998	\$ 3.43	1,869	\$ 2.85
Exercisable, December 31	963	\$ 3.12	678	\$ 3.05

The following table summarizes stock options outstanding and exercisable under the plan at December 31, 2001.

Outstanding Options				Exercisable Options	
Exercise Price	Number of Options (thousands)	Remaining Life (months)	Weighted Avg. Exercise Price (\$/Share)	Number of Options (thousands)	Weighted Avg. Exercise Price (\$/Share)
\$ 5.00 to \$ 7.35	532	18	\$5.28	195	\$5.26
\$ 3.76 to \$ 4.99	300	14	3.78	92	3.87
\$ 2.50 to \$ 3.75	338	33	3.09	231	3.02
\$ 1.51 to \$ 2.49	828	26	2.08	445	2.01
\$ 1.51 to \$ 7.35	1,998	23	\$3.43	963	\$3.12

8. SEGMENTED INFORMATION

The Company has operations in Canada and the United States. The Company's operations are substantially all related to exploration, development and production of petroleum and natural gas.

2001	Canada	United States	Total
Oil and Natural Gas Revenue	\$ 148,575	\$ 18,903	\$ 167,478
Expenses			
Royalties	36,758	3,056	39,814
Production	20,814	5,595	26,409
Capital and Production Taxes	1,431	1,595	3,026
Depletion and Depreciation	44,401	2,435	46,836
Segment Profit	\$ 45,171	\$ 6,222	\$ 51,393
Corporate Expenses			
General and Administrative			3,418
Interest on Long-term Debt			3,456
Income Taxes			16,934
Net Earnings			\$ 27,585

2001	Canada	United States	Total
Segment Assets, net	\$ 294,035	\$ 30,031	\$ 324,066
Other Assets			9,547
Total Assets			\$ 333,613
Expenditures for Segment Capital Assets	\$ 58,930	\$ 6,336	\$ 65,266
Corporate Assets			2,401
Total Expenditures for Capital Assets			\$ 67,667
2000	Canada	United States	Total
Oil and Natural Gas Revenue	\$ 117,583	\$ 22,661	\$ 140,244
Expenses			
Royalties	26,562	3,770	30,332
Production	13,575	4,091	17,666
Capital and Production Taxes	1,332	1,859	3,191
Depletion and Depreciation	32,569	1,842	34,411
Segment Profit	\$ 43,545	\$ 11,099	\$ 54,644
Corporate Expenses			
General and Administrative			3,873
Interest on Long-term Debt			4,538
Income Taxes			16,381
Net Earnings			\$ 29,852
Segment Assets, net	\$ 280,475	\$ 29,171	\$ 309,646
Other Assets			10,100
Total Assets			\$ 319,746
Expenditures for Segment Capital Assets	\$ 46,928	\$ 3,906	\$ 50,834
Acquisition of Torex Resources Inc.	45,981	—	45,981
Corporate Assets			8,944
Total Expenditures for Capital Assets			\$ 105,759

9. ACQUISITION OF TOREX RESOURCES INC.

Effective September 1, 2000 Summit acquired all of the outstanding shares of Torex Resources Inc. The acquisition was accounted for using the purchase method with the purchase price allocated as follows:

Assets	
Petroleum and Natural Gas Properties	\$ 62,739
Liabilities	
Long-term Debt	11,020
Working Capital Deficiency	49
Future Site Restoration Liability	528
Future Income Taxes	16,758
	28,355
Net Assets Acquired	\$ 34,384
Consideration	
Cash	\$ 34,384

FIVE YEAR REVIEW

Year Ended December 31	2001	2000	1999	1998	1997
FINANCIAL (\$ thousands except per share amounts)					
Oil and Natural Gas Revenue	167,478	140,244	85,557	84,455	100,853
Cash Flow From Operations	91,355	75,244	41,319	34,174	50,817
Per Share	2.86	2.30	1.24	1.02	1.51
Net Earnings (Loss)	27,585	29,852	5,825	(46,110)	(30,944)
Per Share	0.86	0.91	0.17	(1.38)	(0.92)
Capital Expenditures					
Exploration and Development	65,323	45,211	17,672	37,568	63,878
Acquisitions (net of dispositions) and Corporate	2,344	60,548	(6,371)	(18,791)	24,248
	67,667	105,759	11,301	18,777	88,126
Long-Term Debt	68,981	94,076	64,647	98,290	125,098
Shareholders' Equity	157,651	131,330	110,443	104,612	150,367
OPERATIONS					
Production					
Oil - Total (Mbbbls)	1,782	1,708	1,675	2,136	2,243
- Per Day (bbls)	4,882	4,667	4,589	5,852	6,145
Gas - Total (Bcf)	19.2	16.0	17.0	20.9	22.7
- Per Day (MMcf)	52.6	43.8	46.6	57.3	62.2
Price					
Oil (\$/bbl)	32.81	37.50	23.25	16.46	23.89
Gas (\$/Mcf)	5.68	4.70	2.71	2.33	2.06
Reserves					
Oil and NGL (Mbbbls)					
Proved	10,487	11,987	11,065	12,003	14,585
Probable	3,755	4,224	3,419	5,142	5,504
Total	14,242	16,211	14,484	17,145	20,089
Natural Gas (Bcf)					
Proved	115.6	123.4	100.8	126.9	147.4
Probable	34.7	23.9	17.2	41.6	37.3
Total	150.3	147.3	118.0	168.5	184.7
Wells Drilled (gross)					
Oil	13	4	2	14	45
Gas	41	30	16	9	20
Dry	18	11	1	7	19
	72	45	19	30	84
Undeveloped Land Holdings (thousands of net acres)	377	384	338	461	592
COMMON SHARE INFORMATION					
Shares Traded (MM)	6.7	6.3	1.2	11.1	14.4
Value Traded (\$MM)	38.4	23.5	3.4	16.6	91.1
Share Price (\$)					
High	7.40	5.00	3.45	5.35	8.00
Low	4.25	1.90	1.27	1.45	4.25
Close	5.05	4.60	2.01	1.51	4.55
Number of Shares (MM)					
Year End Outstanding	31.9	32.0	33.4	33.4	33.3
Weighted Average Outstanding	31.9	32.8	33.4	33.4	33.6

	Conversion Factor: 6 to 1			Conversion Factor: 10 to 1		
	2001	2000	1999	2001	2000	1999
FINANCIAL RESULTS						
(\$/BOE based on conversion factor)						
Oil and Natural Gas Revenue	\$ 33.63	\$ 32.03	\$ 18.98	\$ 45.26	\$ 42.37	\$ 25.35
Royalties	8.00	6.93	3.20	10.76	9.16	4.28
Production Costs	5.30	4.03	4.29	7.14	5.34	5.73
BOE Netback	\$ 20.33	\$ 21.07	\$ 11.49	\$ 27.36	\$ 27.87	\$ 15.34
General and Administrative	0.69	0.88	0.78	0.92	1.17	1.05
Interest on Long-term Debt	0.69	1.04	1.14	0.93	1.37	1.52
Capital and Production Taxes	0.61	0.73	0.40	0.82	0.96	0.53
Cash Flow from Operations	\$ 18.34	\$ 18.42	\$ 9.17	\$ 24.69	\$ 24.37	\$ 12.24
Depletion and Depreciation	9.05	7.64	7.04	12.18	10.11	9.41
Provision for Site Restoration Costs	0.36	0.22	0.21	0.48	0.29	0.27
Income Taxes	3.40	3.74	0.63	4.58	4.95	0.83
Net Earnings	\$ 5.53	\$ 6.82	\$ 1.29	\$ 7.45	\$ 9.02	\$ 1.73
OPERATIONS						
Production						
Oil and NGL (bbls/d)	4,882	4,667	4,589	4,882	4,667	4,589
Natural Gas (MMcf/d)	52.6	43.8	46.6	52.6	43.8	46.6
Total (BOE/d)	13,642	11,962	12,351	10,138	9,044	9,246
Reserves (Proved and Probable)						
Oil and NGL (Mbbbls)	14,242	16,211	14,484	14,242	16,211	14,484
Natural Gas (Bcf)	150.3	147.3	118.0	150.3	147.3	118.0
Total (MBOE)	39,292	40,753	34,149	29,270	30,936	26,283

VOLUME REPORTING

Throughout this annual report, volumes expressed on a barrel of oil equivalent (BOE) basis have been calculated using a conversion ratio of six thousand cubic feet of natural gas to one barrel of crude oil (6 to 1). This conversion ratio is based on relative heating values as measured in British thermal units (BTU's). Prior to 2001 Summit and many other Canadian corporations used a conversion ratio of 10 to 1. The Company has adopted a 6 to 1 ratio to improve comparability with companies with operations outside of Canada and to conform to general industry analyst practice. Key financial and operating data has been presented in the above table based on both conversion factors.

OFFICERS

Ernest S. Rady
Chairman of the Board

Donald J. Nelson, P.Eng.
President

Gary C. Jackson
Vice President, Land

Myra Jones
Corporate Secretary

Curtis W. Labelle, P.Eng.
Vice President, Operations

Ken H. Lueers, P.Geol.
Vice President, Exploration

Cameron R. Sebastian, CA
Vice President, Finance and Chief Financial Officer

DIRECTORS

Ernest S. Rady ⁽¹⁾
Chairman of the Board, American Assets, Inc.
San Diego, California

Donald J. Nelson ⁽¹⁾
President, Summit Resources Limited
Calgary, Alberta

Frederic C. Coles
Independent Businessman
Calgary, Alberta

J. Richard Harris ^{(2) (3)}
Professional Geologist
Calgary, Alberta

Brian S. Hirsch ^{(2) (3)}
Chartered Accountant
Winnipeg, Manitoba

Robert G. Jennings ^{(2) (3)}
President, Jennings Capital Inc.
Calgary, Alberta

Leon W. Parma
Parma Management Co., Inc.
La Jolla, California

Harry M. Rady
Chief Investment Officer, American Assets, Inc.
San Diego, California

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AUDITORS

KPMG LLP, Calgary, Alberta

BANKERS

C.I.B.C., Calgary, Alberta

EVALUATION ENGINEERS

Sproule Associates Limited, Calgary, Alberta

LEGAL COUNSEL

Bennett Jones LLP, Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company
Calgary, Alberta; Toronto, Ontario

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: SUI

ANNUAL INFORMATION FORM

The Annual Information Form will be available in May 2002.
A copy may be obtained by contacting Summit's head office.

METRIC CONVERSION TABLE

To convert from:	to:	Multiply by:
thousand cubic feet (Mcf)	thousand cubic meters (10 ³ m ³)	0.028174
barrels (bbls)	cubic meters (m ³)	0.159000
feet (ft.)	meters (m)	0.305000
miles (mi.)	kilometers (km)	1.609000
acres	hectares (ha)	0.405000

⁽¹⁾ Member of the executive committee

⁽²⁾ Member of the audit committee

⁽³⁾ Member of the compensation committee

GLOSSARY OF ABBREVIATIONS AND TERMS

API	American Petroleum Institute	Bcf	billion cubic feet	MMcf	million cubic feet
ARTC	Alberta Royalty Tax Credit	m ³	cubic metres	MMcf/d	million cubic feet per day
AEUB	Alberta Energy and Utilities Board	Mbbls	thousand barrels	Mstb	thousand stock tank barrels
BOE	barrels of oil equivalent (1 BOE = 6 Mcf)	Mcf	thousand cubic feet	NEB	National Energy Board of Canada
BOE/d	barrels of oil equivalent per day	Mcf/d	thousand cubic feet per day	MWh	Megawatt hour
bbl	barrel	MMbbls	million barrels	NGL	natural gas liquids
bbls	barrels	MMBOE	millions of barrels of oil equivalent	Tcf	trillion cubic feet
bbls/d	barrels per day	MMbtu	million British thermal units	WTI	West Texas Intermediate
Bbbls	billion barrels				

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Summit Resources Limited
will be held on May 16, 2002 at 3:00 pm at the
Metropolitan Centre, 333 – 4th Avenue SW, Calgary, Alberta.

